A PICTURE OF WORLD ECONOMIC CONDITIONS IN THE EARLY FALL OF 1930

Number V

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A PICTURE OF WORLD ECONOMIC CONDITIONS

IN THE EARLY FALL OF 1930

NATIONAL INDUSTRIAL CONFERENCE BOARD, Inc.
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PREFACE

The economic interdependence of nations has been strikingly revealed during the past year in many phases of world economic activity. Numerous instances of economic maladjustment in individual countries can be traced to the interplay of international economic forces. While all countries are not equally responsive to economic or political changes in other regions, no nation, however rich or strong, can remain unaffected by conditions in the world at large. The growing community of interests among the nations of the world emphasizes the need for comprehensive presentation of authoritative up-to-date information concerning the development of economic activities on a world basis.

The National Industrial Conference Board seeks to fill this need through its series of semi-annual publications on world economic conditions, of which the present book, relating to the summer of 1930, is the fifth issue. The Conference Board gives a special value to this record of current events and conditions throughout the world by a dual interpretation. In Part I, it looks at world affairs through American eyes in giving a brief review of economic conditions, developments, and problems throughout the world. This section was prepared by the Research Staff of the Conference Board. In Part II, it views general and special problems of world affairs through foreign eyes. To this part members of the Conference Board's group of Foreign Correspondents, representing advanced thought and important economic interests in the various countries of the world, have contributed significant papers on a variety of topics, which together form an admirable presentation of world economic problems.

The Conference Board has received in time for inclusion in this book reports from Midland Bank, Ltd., transmitted through the Rt. Hon. Reginald McKenna, for Great Britain; from Mr. Franz von Mendelssohn for Germany; from Mr. Alberto Pirelli for Italy; from Mr. Oscar Rydbeck for

Sweden; from J. Throne Holst for Norway; from Mr. E. Heldring for the Netherlands; from Messrs. B. Dessau and E. Meyer for Denmark; from Mr. Louis Dapples for Switzerland; from Mr. Alfred Hauser for Austria; from Messrs. S. D. Alexander and I. Bajloni for Jugoslavia; from Mr. Eugene Vida for Hungary; from Sir Henry W. Thornton for Canada; from Sir Lennon Raws for Australia; from Baron Koyata Iwasaki for Japan; and from Mr. Li Ming for China.

In presenting this material, the Conference Board expresses to these gentlemen its appreciation for their generous assistance in providing American industry, through the National Industrial Conference Board, with a better understanding of conditions and viewpoints in their respective countries.

In the preparation of its publications, the National Industrial Conference Board avails itself of the experience and judgment of the business executives who compose its membership and of recognized authorities in special fields, in addition to the scientific knowledge and equipment of its Research Staff. The publications of the Conference Board thus finally represent the result of scientific investigation and broad business experience, and the conclusions expressed therein are those of the Conference Board as a body.

Under the immediate direction of the President of the Board and with the supervision of the Staff Economic Council, Part I of this report was prepared by Mr. Vaso Trivanovitch and assistants, of the Conference Board's Research Staff.

MAGNUS W. ALEXANDER,
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PART I
WORLD ECONOMIC CONDITIONS

PART I

WORLD ECONOMIC CONDITIONS

General Survey

AMONG the important developments this year may be mentioned the Conference of the Balkan Nations at Athens and the agreement for closer economic co-operation between Rumania and Jugoslavia. The Conference at Athens, composed of representatives of Rumania, Jugoslavia, Bulgaria, Greece, Turkey, and Albania, has accepted in principle the proposal for the formation of a Confederation of the Balkan states within the League of Nations, which would promote economic co-operation and cultural understanding among the Balkan nations and would exclude the resort to war as an instrument of national policy. While the delegates to the Conference were not official representatives of their governments, the proposal for a Balkan union should nevertheless be considered as a significant development in the field of Balkan politics. These countries have a population of about 55 million and an area of about 780,000 square miles, or more than the combined area of Texas, California, New Mexico, Arizona, and Nevada. The establishment of political and economic solidarity among the Balkan nations would be an accomplishment of the utmost consequence, and it will be important to observe the spirit in which the governments of the countries represented at the Conference receive its proposals.

Of more tangible effect is the agreement for economic co-operation signed this summer by Jugoslavia and Rumania. These two countries are the largest exporters of wheat and corn in Europe, with the exception of Russia, and have been greatly affected by the decline in wheat prices. The attempt was made also to secure the adherence of Hungary to the Jugoslav-Rumanian plan for joint marketing of farm products, but political difficulties outweighed the economic

advantages that the three countries would derive from such co-operation.

Later in the summer, a more comprehensive plan for the agricultural co-operation of Poland, Rumania, Jugoslavia, Czechoslovakia, Hungary, Bulgaria, Estonia, and Lithuania was discussed by official representatives of these countries at a series of meetings in Warsaw, attended also by representatives of the Secretariat of the League of Nations. The conference agreed that dumping was a futile and uneconomic policy and requested the League of Nations to draft a proposal for the abolition of bounties on agricultural exports. In regard to tariffs, a resolution was adopted that the countries represented at the conference should consider the abandonment of the most-favored-nation principle in their tariff treaties and the substitution in its place of a system of specified preference advantages between themselves and the countries from which they obtain industrial products in exchange for agricultural commodities. This resolution is significant in that it may lead to a change in tariff policy over an important part of Europe, inhabited by more than 80 million people.

These regional conferences of nations gain added significance if viewed in connection with M. Briand's proposal for the formation of a United States of Europe. The proposal submitted for study to twenty-six European governments by the French Minister of Foreign Affairs "found its justification in a very definite feeling of collective responsibility in the face of the danger which threatens European peace from political, economic, and social viewpoints because of the lack of co-ordination in the general economy of Europe." M. Briand stresses the fact that the authority of the League of Nations would not be limited by the organization of a European Confederation that would confine its activities strictly to a consideration of European problems under the control of the League and would have a permanent Secretariat at Geneva. The principal feature of M. Briand's proposal, and the one that was most sharply criticized in the replies of some of the countries, is the emphasis placed upon the need of political understanding as a prerequisite for economic co-operation. The question of political under-

standing along the lines of the Locarno Treaties, desired by the French Government, raises the question of security and that of maintaining the European status quo.

The reply of the German Government contains a demand for the removal of untenable conditions in Europe and "the application of principles of complete equality and equal security for all." Germany, although a member of the League of Nations, does not feel that the country is an equal partner in the enterprise, for it is prohibited from providing for national security by maintaining an adequate military force, while other countries remain fully armed. Furthermore, Germany is not satisfied with the European status quo and does not believe that permanent peace can be built until the defects in political structure of Europe are corrected. The Polish Corridor, which cuts through the German territory, is the principal defect from the point of view of German interests. Austria and Hungary, supported by Italy, also demand a realignment of the present frontiers of Europe, while against these stand France and its allies, Poland, Rumania, Czechoslovakia, and Jugoslavia.

The picture as a whole is not very hopeful, but the mere fact that the plan for a Union of European States has been actually placed on the agenda of the League of Nations, and that the various countries have had an opportunity of stating the conditions under which they would be prepared to join such a union, is obviously a significant development. No unanimity in their replies was expected, and years of effort may be required to find a satisfactory solution of the problem. Indeed, the attitude of the British Government indicates that the adherence of Great Britain to a Confederation of European States would be detrimental to the interests of the British Empire. Such a confederation is held to be unnecessary, since all that it aims to accomplish can be achieved through the agency of the League of Nations. M. Briand, however, was successful at the last meeting of the League in securing the creation of a European Committee, representing twenty-seven countries, which will study the possibilities of closer co-operation among the nations of Europe and will report its findings to the League at its meeting in September, 1931.

Another gathering of nations that merits attention is the British Imperial Conference at London. Here the central problem was not political but economic. It is true, South Africa and India are concerned with political as well as with economic issues, but such issues as these have never seriously threatened the permanent strength and unity of the Empire, nor is there likelihood of profound disturbance in the present instance. India presents a special problem which will be considered at a separate round-table conference. The general feeling in Great Britain seems to be that the preservation and cohesion of the Empire can no longer be entrusted to sentiment alone, but must be placed on the firmer ground of mutual economic advantages, which will help to strengthen the bonds of kinship and tradition. The task of the Conference, therefore, was to develop a method or methods to increase the economic solidarity of the different parts of the Empire in general, and in particular to increase the flow of trade between Great Britain and the Dominions. In the plenary session, held Wednesday, October 8, Prime Minister R. B. Bennet, of Canada, recommended a system of preferential tariffs within the Empire which would involve a surcharge of 10% on all imports of non-Empire goods. The Canadian representative was warmly supported by the Prime Ministers of Australia, New Zealand, and South Africa. The attitude of the British Labor Government towards this proposal was indicated in the speech of Prime Minister MacDonald before the Annual Conference of the Labor Party:

> "We appreciate the fact that the world is going through an industrial revolution today as truly as in the eighteenth century, but we know that we cannot cure the ills of this generation with the quack remedies of two generations ago. We want co-operation in the world, not separation, and we know we cannot get it by adding to tariff walls. The use of political boundaries for tariff purposes must be stopped. . . ."

On October 13 the plan for general preferential tariffs was definitely rejected by the Government, the development of bulk purchases being suggested in its place. Mr. William Graham, President of the Board of Trade, stated that Great Britain would be ready to purchase larger quantities of

Canadian wheat, if Canada were willing to buy more British coal and steel. He suggested the organization of Imperial Import Boards, the establishment of a system of quotas by which Great Britain would bind itself to make a certain definite percentage of its foreign purchases from the Dominions, and the conclusion of trade treaties which would facilitate mutual financing of trade. It is not yet clear what the reaction of the Conference will be to these proposals, but it seems certain that, so far as British domestic politics are concerned, tariff protection will be an issue in the next general election. Mr. Stanley Baldwin, leader of the Conservative party, issued a declaration on October 15, stating that the Conservative Party, if returned to power, will immediately impose protective duties on all manufactured products and will advocate the adoption of Mr. Bennet's proposal for Imperial tariff preference.

Great Britain

The economic position of Great Britain shows no signs of improvement. The growing depression in production and trade, and the increase in the ranks of the unemployed have turned the British to a consideration of hitherto untried remedies to alleviate the situation. Of greatest significance is the strong shift of important sections of the British public away from the time-honored policy of free trade to that of national protectionism. It has been a peculiarity of the British trade union movement that it was led by radical politicians imbued with free-trade ideas, and that labor has therefore not sought to improve its conditions of life by means of a protective tariff. Recently, however, there have been definite signs that certain labor groups are no longer satisfied that free trade is an unmixed blessing. This summer the Economic Committee of the Trades Union Congress issued a report on the problem of increasing British markets, in which a careful reconsideration of Great Britain's tariff policy is recommended. The orthodox free-trade ideas of Mr. Philip Snowden, Chancellor of the Exchequer and one of the leaders of the Labor Party, can scarcely be reconciled

with the protectionist views of the Committee appointed by the Trades Union Congress.

Another striking development in this controversy is the statement, issued to the press on July 10, 1930, by a large number of British bankers, including the Chairmen of the Big Five Banks, demanding Imperial free trade, and tariffs "on all imports from all other countries." The resolution passed by the bankers is as follows:

> "It is resolved that urgent measures for the promotion of inter-imperial trade are needed to secure and extend the market for British products, both at home and through the export trade.
>
> "Bitter experience has taught Great Britain that the hopes expressed four years ago in a plea for the removal of the restrictions upon European trade have failed to be realized. The restrictions have been materially increased, and the sale of surplus foreign products in the British market have steadily grown.
>
> "While we retain the hope of an ultimate extension of the area of free trade throughout the world, we believe that the immediate step for securing and extending the market for British goods lies in reciprocal trade agreements between the nations constituting the British Empire.
>
> "As a condition of securing these agreements Great Britain must retain her open market for all Empire products, while being prepared to impose duties on all imports from all other countries."

This resolution indicates the change in sentiment that has taken place in Great Britian since 1926, when many of the same bankers, joined by prominent financiers of the United States and other countries, issued a manifesto calling for a reduction of tariff barriers. However, while the resolution itself is significant as an indication that an important section of the British banking community advocates inter-Imperial free trade and tariffs against all other countries, regret has been expressed that the bankers' resolution was not accompanied by a detailed explanation of the reasons for this change of attitude, of the methods which they would follow in revising the British tariff policy, and of the advantages which they believe that Great Britain would derive from such a change.[1] The demand for free trade among the Empire countries is natural, and such a policy would be of immense advantage to Great Britain. On that point, the

[1] The Economist, London, July 12, 1930, pp. 59–60; The Statist, London, July 12, 1930, p. 47.

British public is in practically unanimous agreement. Difficulty arises, however, when the question of what Great Britain would have to sacrifice in return for Imperial free trade is considered, not to mention difficulty in securing the adherence of the Empire countries to such a proposition. In 1925 the Balfour Committee on Trade and Industry pointed out the fact that "the main increases of tariff rates on British exports have been within the British Empire, where the average ad valorem incidence has risen by nearly two thirds, while in foreign countries, despite the great increase in the United States tariff, the average ad volorem incidence has decreased by one fifth."[1] British exports to foreign countries and to the Empire in 1927 and 1929 are shown in the following table:[2]

Destination	Value in million dollars 1927	1929
Europe	$1,078.9	$1,145.4
Other foreign countries	779.7	823.4
Total " "	1,858.6	1,968.8
The Colonies	312.1	320.4
The Dominions	862.1	876.3
India	413.3	380.2
Total Empire	1,587.5	1,576.9

These figures show that the value of British exports to foreign countries is about $400 million greater than that of exports to the countries composing the British Empire. They show also that from 1927 to 1929 exports to foreign countries increased about $100 million, while those to the Empire countries declined about $10 million. Exports to Europe were about $60 million higher in 1929 than in 1927, while during the same period British imports from Europe increased only $33 million. While it would be eminently desirable to increase the sales of British products to the Empire countries, it is felt that any revision of the tariff policy in the direction of Imperial preference would result in a decrease of British exports to foreign countries. In other words, such a policy may result simply in diverting British exports from foreign to Empire countries, but not in increasing the total. Reduction of British imports from foreign countries would ob-

[1] The Economist, July 5, 1930, p. 3. [2] Ibid., July 12, 1930, p. 59.

viously decrease their purchasing power and their ability and willingness to buy British goods. The trade interests of Great Britain are so extensive that any attempt to conclude preferential or exclusive trade agreements might seriously handicap British exports.

Foreign Trade

Tables 1 and 2 show the movement of foreign trade in 1929 and 1930. In the first half of 1930, the value of imports was 10.4% less, and that of exports, 15% less than in the corresponding period of 1929, while re-exports declined 18.6%. The decline in the value of exports is due only in slight degree to lower prices, the reduction in average values being less than 3%. The tremendous decline in exports of cotton yarns and manufactures, from £71 million, or $345.1 million, in the first half of 1929 to £52 million, or $252.7 million, in the same period this year, explains to a large extent the serious depression that prevails in the British cotton industry. During the same period iron and steel exports declined from £34 million, or $165.2 million, to £29 million, or $140.9 million; woolen and worsted yarns and manufactures, from £27 million, or $131.2 million, to £20 million, or $97.2 million; machinery, from £27 million, or $131.2 million, to £25 million, or $121.5 million. The total value of exports of manufactures declined from £297 million, or $1,443.4 million, to £252 million, or $1,224.7 million, or 15.2%.

The decline in imports was due almost entirely to lower imports of raw materials and foodstuffs, imports of finished manufactures being only 1.9% lower. Imports of raw materials and semi-finished products declined 20.7%; foodstuffs and beverages, 8.9%. The former were £37 million, or $179.8 million, lower; and the latter, £24 million, or $116.6 million, lower. Smaller purchases of raw cotton alone accounted for £16 million, or $77.8 million, and of raw wool, for £13 million, or $63.2 million, of the decline in raw material imports. Imports of raw cotton amounted to £27 million, or $131.2 million, and of raw wool, £31 million, or $150.7 million, in the first half of the current year. Lower prices accounted for a part of the decline. In terms of weight, raw cotton imports declined 25.1%, to 583 million

pounds; in terms of value, 37%. The volume of wool imports, 340 million pounds, was only 3.2% smaller, while their value declined 31%.

TABLE 1: FOREIGN TRADE OF GREAT BRITAIN, 1929 AND 1930

In million dollars

Groups of Commodities	1929		1930
	First Half	Second Half	First Half
Imports			
Food, drink, and tobacco	$1,252.9	$1,353.0	$1,137.2
Raw materials and articles mainly unmanufactured	871.4	779.0	692.6
Articles wholly or mainly manufactured	791.2	834.0	775.7
Animals, not for food	6.8	10.7	7.7
Parcel post, non-dutiable	16.5	21.4	19.4
Total imports	2,938.8	2,998.1	2,632.6
Exports of United Kingdom products			
Food, drink, and tobacco	124.4	146.3	111.8
Raw materials and articles mainly unmanufactured	191.5	193.0	167.6
Articles wholly or mainly manufactured	1,380.2	1,408.4	1,159.6
Animals, not for food	4.4	5.3	3.4
Parcel post	42.8	49.6	38.9
Total	1,743.3	1,802.6	1,481.3
Re-exports	294.5	238.6	239.6
Total exports	2,037.8	2,041.2	1,720.9
Excess of merchandise imports over exports	901.0	956.9	911.7

TABLE 2: PRINCIPAL EXPORTS OF GREAT BRITAIN, INCLUDING RE-EXPORTS, FIRST SIX MONTHS OF 1929 AND 1930

In thousand dollars

Commodity	1929	1930	Per Cent Change
Coal	$108,791	$116,587	+7.2
Iron and steel	166,163	140,070	−15.7
Machinery	134,228	130,209	−3.0
Electrical goods and apparatus	30,215	31,089	+2.9
Cotton yarns and manufactures	344,477	253,483	−26.4
Woolen and worsted yarns and manufactures	131,366	97,953	−25.4
Silk and silk manufactures	8,141	7,450	−8.5
Other textile manufactures	68,895	58,330	−15.3
Chemicals, drugs, dyes, and colors	64,317	59,540	−7.4
Vehicles, including locomotives, ships, and aircraft	127,779	129,218	+1.1

No improvement in foreign trade occurred during the third quarter of this year. The value of exports for the first

nine months of 1930 was £508 million, or $2,467 million, as compared with £627 million, or $3,051 million, in the corresponding period of 1929. The excess of merchandise imports over exports during the first three quarters of 1930 was £277 million, or $1,343 million, as compared with £270 million, or $1,309 million, in the same period of 1929.

The state of British foreign trade is decidedly unsatisfactory, when compared with the situation in Germany and France, but appears less unfavorable if compared with the condition of foreign trade of the United States, which shows a considerably greater decline. The striking aspect of the British trade figures is the stability of imports of finished manufactures. These consist mainly of products in which Great Britain has a surplus of exports, and the domestic demand for such goods could be largely supplied by British manufacturers if they could obtain the necessary tariff protection or if, through increased production efficiency, domestic prices could be lowered. The demand of some British manufacturers for tariff protection is based on the ground that they find it impossible to modernize their plants and equipment while they are exposed to ruthless foreign competition. They seek a temporary breathing space behind a tariff wall which would allow them to expand their production at remunerative prices and thus secure the means with which to rationalize their production and distribution system.

The Budget Controversy

A serious handicap to business and trade revival is the increasing burden of taxation. Tables 3 to 6 give the essential figures for an understanding of the present fiscal position of the British Government. The fiscal year ended March 31, 1930, closed with a nominal deficit of £14.5 million, or $70.5 million, as compared with a surplus of £4 million, or $19.4 million, estimated by Mr. Churchill, former Chancellor of the Exchequer. The ordinary revenue was £734 million, or $3,567.2 million, and the ordinary expenditure, £701 million, or $3,406.9 million. The deficit was not due to an excess of expenditures over revenues, but to the fact that the last budget had estimated that a sum of £50.5 million, or $245.4 million, would have been available for debt

reduction. The Finance Act of 1928 fixed the total annual debt charge at £355 million, or $1,725.3 million, covering interest, management, and sinking fund. Since £307.25 million, or $1,493.2 million, were spent on interest and management in 1929–1930, the Treasury was forced to allocate £47.75 million, or $232.1 million, to debt reduction, which was to a large extent offset by new borrowings.

TABLE 3: ORDINARY EXPENDITURES OF THE BRITISH GOVERNMENT, FISCAL YEARS 1928–1929 TO 1930–1931

Source: Midland Bank, Ltd.

In thousand dollars

Ordinary Expenditure	Year Ending March 31		
	1929 Actual	1930 Actual	1931 Estimated
Debt interest and management	$1,513,846	$1,493,245	$1,480,356
Payments to local taxation accounts	73,887	64,706	..
Payments to Northern Ireland Exchequer	24,786	26,856	29,160
Other consolidated fund services	13,637	16,096	16,038
Total consolidated fund services	1,626,156	1,600,903	1,525,554
Defense services, including pensions			
Army	196,830	196,830	196,830
Navy	276,631	270,945	251,452
Air force	78,003	81,405	86,751
Total defense	551,464	549,180	535,033
Central government	9,905	10,186	10,041
Imperial and foreign	27,119	26,589	28,625
Law and justice	58,923	60,060	77,259
Education	240,356	243,340	267,971
Health, labor, insurance	368,898	416,808	471,401
Trade and industry	44,445	50,622	59,875
Buildings, rates, etc.	40,003	38,749	41,242
War and civil pensions	285,092	273,054	263,626
Contributions to local revenues	..	74,329	216,304
Miscellaneous	6,575	4,423	690
Total civil services	1,081,316	1,198,160	1,437,034
Customs and excise and inland revenue	56,556	58,442	58,971
Total supply services	1,689,336	1,805,782	2,031,038
Total ordinary expenditures	3,315,492	3,406,685	3,556,592

The increase of £49 million, or $238.1 million, in ordinary expenditures from 1928–1929 to 1930–1931 is due to a considerable extent to larger governmental expenditures on health, labor, insurance, and education. The cost of medical and insurance services in 1930–1931 is estimated at £97

Table 4: Ordinary Revenue of the British Government, Fiscal Years 1928–1929 to 1930–1931

Source: Midland Bank, Ltd.

In thousand dollars

Source of Revenue	Year Ending March 31			
	1929 Actual	1930 Actual	1931 Estimate	
			Before Budget Changes	After Budget Changes
Income tax	$1,154,833	$1,153,890	$1,161,540	$1,263,600
Surtax	272,889	274,056	277,020	313,470
Estate-duties	391,570	387,682	388,800	403,380
Stamps	146,092	124,756	132,435	131,220
Excess profits duty	4,131	10,935	8,262	8,262
Corporation profits tax	4,131			
Land tax, etc.	4,082	4,277	3,888	3,888
Customs	578,204	582,656	595,350	596,370
Excise	651,240	619,650	619,650	631,120
Motor vehicle duty, net	20,538	23,911	24,154	24,057
Receipts from taxes	3,227,710	3,181,813	3,211,099	3,375,367
Post office, net	39,366	44,712	49,208	49,208
Crown land	5,881	6,269	6,318	6,318
Receipts for sundry loans	136,619	158,631	160,380	160,380
Miscellaneous				
Ordinary receipts	63,875	50,704	167,670	167,670
Special receipts	210,934	126,030		
Non-tax revenue	456,675	386,346	383,576	383,576
Total ordinary revenue	3,684,385	3,568,159	3,594,675	3,758,943
Appropriation from rating relief suspense account	..	..	..	77,760

Table 5: Revenue and Expenditure of the British Government, Fiscal Years 1923–1924 to 1930–1931, Excluding Self-Balancing Services

Source: Midland Bank, Ltd.

In thousand dollars

Fiscal Years Ended March 31	Revenue	Interest and Management of Debt	Total Expenditure, Excluding Sinking Fund	Sinking Fund Appropriation	Surplus (+) or Deficit (−)
1924	$3,758,082	$1,493,523	$3,328,804	$194,400	$234,879
1925	3,564,776	1,517,102	3,328,293	218,700	17,783
1926	3,599,593	1,497,993	3,424,818	243,000	−68,225
1927	3,564,460	1,548,318	3,451,193	291,600	−178,333
1928	3,724,500	1,525,146	3,387,998	315,900	20,602[1]
1929	3,684,385	1,513,846	3,315,492	279,494	89,400[1]
1930	3,568,159	1,493,245	3,406,685	232,055	−70,582
1931[2]	3,836,703	1,480,356	3,556,592	269,244	10,867

[1] Appropriated to rating-relief suspense account.

[2] Including $77,760 from rating-relief suspense account.

million, or $471.4 million, as compared with £76 million, or $369.4 million, in 1928–1929. During the same period the cost of public education rose from £49 million, or $238.1 million, to £55 million, or $267.3 million. The critics of the Government are particularly concerned with the growth of social expenditures, which, they claim, are greater than the size of the national purse permits. They call for a halt in appropriations for civil services, if Great Britain is not to be brought to a point when governmental expenditures will trench upon capital. In revising the budget estimates this year, the Chancellor of the Exchequer found it necessary to increase the ordinary revenue by £33 million, or $160.4 million. This sum the Chancellor obtained largely by increasing direct taxation: income tax, by £21 million, or $102.1 million; surtax, by £7.5 million, or $36.5 million; and estate duties, by £3 million, or $14.6 million.

TABLE 6: INDEBTEDNESS OF THE BRITISH GOVERNMENT, 1914 TO 1930

Source: Midland Bank, Ltd.

In thousand dollars

Fiscal Years Ended March 31	External Debt	Internal Debt	Total
1914	None	$3,157,882	$3,157,882
1915	None	5,370,140	5,370,140
1916	$294,594	10,072,500	10,367,094
1917	1,945,512	17,550,116	19,495,628
1918	5,096,556	23,440,635	28,537,191
1919	6,633,181	29,500,671	36,133,852
1920	6,214,545	31,833,321	38,047,866
1921	5,645,196	31,166,184	36,811,380
1922	5,290,936	31,908,967	37,199,903
1923	5,616,473	32,010,779	37,627,252
1924	5,471,451	31,664,037	37,135,488
1925	5,450,976	31,474,565	36,925,541
1926	5,398,333	31,336,677	36,735,010
1927	5,353,062	31,362,377	36,715,439
1928	5,322,813	31,262,378	36,585,191
1929	5,271,564	31,180,079	36,451,643
1930	5,220,413	31,079,219	36,299,632

The standard rate of income tax was increased from 4s., or $0.97, to 4s.6d., or $1.09, on the pound sterling. The graduation of the tax was revised so that the increase will impose no additional burden upon smaller incomes. Tax

exemption has been increased from 2s., or $0.49, to 2s.6d., or $0.61, on the first £250, or $1,215, of taxable income. Three quarters of the income taxpayers come within this income class and will not be affected by the new rate. The effect of the new income tax rate, including the surtax, on certain income classes is shown in the following table:

Income Class	Old Tax	New Tax
£10,000, $48,600, a year		
Earned, single person.....	£3,032 ($14,735.5)	£3,513 ($17,073.2)
Unearned, single person....	3,082 (14,978.5)	3,570 (17,350.2)
Earned, married couple with three children.....	2,982 (14,492.5)	3,457 (16,801.0)
Unearned, married couple with three children.....	3,032 (14,735.5)	3,513 (17,073.2)

The increases are very substantial, and the question is being asked whether taxation in Great Britain has not reached the unproductive level.[1] In responsible financial quarters, there is no tendency to throw the blame for increased expenditures upon the present Labor Government. The three political parties—Labor, Conservative, and Liberal—"are prepared to outbid each other in the promotion of schemes requiring the disbursement of large additional funds. . . . The desirability of many of the proposals may or may not be open to argument, but in the existing condition of British trade and industry, the real question is not so much whether they are desirable as whether the country can afford them."[2] The Chancellor of the Exchequer has appealed for suggestions of ways to reduce public expenditures, and he has been urged to appoint at once "a small committee of courageous, outstanding, independent persons, untarred by any political brush and trusted for their integrity and ability," who would be asked to find an answer to the following question: "How far is Great Britain living beyond her means, that is, living on Capital? Where can savings be effected to restore the financial balance?"[3]

[1] Midland Bank, Ltd., Monthly Review, London, April–May, 1930, p. 5.

[2] Barclay's Bank, Ltd., Monthly Review, London, May, 1930, p. 6.

[3] Lloyd's Bank, Ltd., Monthly Review, London, June, 1930, p. 116. See also the May issue of the Review, article on "Economic Realities."

Rationalization of Industry and Finance

Rationalization, in the sense of concentration of industrial enterprise into efficient economic units with up-to-date machinery and central sales agencies, has not made much progress in Great Britain, except in the industries of relatively recent origin, whose success is based on the possession of patents and secret processes and which have been given a measure of protection under the Safeguarding Act. The outstanding example among these is the chemical industry, which is practically identical with one powerful company, the Imperial Chemical Industries, Limited. The coal, iron and steel, machinery, and textile industries have not yet found it possible to put through any far-reaching reforms. The difficulties facing Great Britain are greater perhaps than those of any other country, because the development of British industry has been different from that of any other country.

In one of his recent speeches, the Chancellor of the Exchequer, Mr. Snowden, declared that British manufacturers and traders "had had a rather too easy time in the past. Trade had come to them without any very great effort."[1] This statement is true in the sense that Great Britain was the first in the field and for years was without serious competition. Now it is paying the penalty for having taken the lead. The necessary reorganization of the British industrial system involves not only the scrapping of inefficient plant and equipment, elimination of uneconomic producers, introduction of new methods of production and distribution, but also the reorganization of the British financial system in order to place the relations between industry and banking on a more intimate basis. British industry has been built up to its present size almost entirely by independent industrialists without the support of the banks. Industry was able to finance itself out of the large profits made in all parts of the world, and there was no necessity for the banks to engage in industrial finance and investment banking. So long as industries were making large profits, there was no need for an industrial banking system. The banks were not

[1] Barclay's Bank, op. cit., June, 1930, p. 3.

called upon to handle industrial issues, but concerned themselves mainly with financing the trade arising out of the activities of the industrialists.[1]

After the World War, British industry was not in a position to continue the traditional custom of financing itself out of its profits and became dependent on banking support in order to secure the funds required to put through the various measures of rationalization. This support, however, was not forthcoming. The bankers felt, and properly so, that it was not their function to provide the permanent funds required for capital expenditures. This situation was no doubt partly responsible for the slow development of rationalization in Great Britain and has led to rather acrimonious criticism of the British banking system. Although much of this criticism was misplaced, the need for creating ample credit facilities for British manufacturers was very urgent. In 1928 the Bank of England took the first step in the direction of industrial financing when it helped to organize the Lancashire Cotton Corporation Limited.[2] This year the Bank of England established the Securities Management Trust and co-operated in the formation of the Bankers Industrial Development Company. The former will provide credit for purchasers, especially of industrial machinery and plant, while the main function of the latter will be to examine various plans of rationalization prepared by the principal industries of the country, but not by individual companies or firms. In other words, the Development Company will act as an adviser, without charge, and, if the plans advanced by an industry meet with the approval of its Board of Directors, it will put the industry in touch with those who can provide the necessary financial assistance.

Rationalization and Unemployment

Contemplation of far-reaching measures of rationalization must necessarily take into account the effect that they would have on employment. Scrapping of obsolete plant, introduc-

[1] "Banks and Industry in England and Germany," The Economist, March 1, 1930, pp. 449–451, March 15, 1930, pp. 572–573; March 29, 1930, pp. 695–696.

[2] See National Industrial Conference Board: "A Picture of World Economic Conditions at the Beginning of 1929," New York, 1929, pp. 17–18.

tion of modern labor-saving devices, combination of enterprise into larger units particularly along vertical lines, and similar measures intended to increase the efficiency of production and distribution would at first inevitably tend to reduce the number of available jobs. The ultimate effect, however, would be to increase the prosperity of the country by lowering British costs of production and thus increasing the marketability of British products in foreign countries. The depression in Great Britain has been attributed to the failure of British manufacturers to maintain their share of world trade in competition with other nations. Before the War the value of British foreign trade was 14% of the world total. At the present time it is only about 11%, even though there has been an increase of 20% in the total foreign trade of the world. What is the cause of this decline? Obviously, foreign buyers find that British goods are too expensive, as compared with those of other countries.[1] The main cure for unemployment, therefore, lies in reducing costs of production and distribution. In so far as this can be accomplished through rationalization, adverse effects on employment would be only temporary.

On the whole, the position of Great Britain does not call for pessimism. The advantages that certain European countries—particularly France and Belgium—have over Great Britain in the matter of lower wages are gradually eliminated, as the lower domestic price levels in these countries, caused by currency stabilization below gold parity, approach the world level. The competitive ability of British industries will thus be progressively strengthened.

Many times in the past the doom of Great Britain has been forecast, but always the British people have found a way out of their difficulties. The immediate outlook is gloomy. The approaching winter will scarcely bring any relief, but in the long run there is no doubt that present adversity will end. It is the very backwardness of many branches of British industry that will make the rate of improvement per unit of

[1] Société d'Études et d'Informations Economiques, "Correspondence de l'Étranger," No. 83, Paris, August 6, 1930, p. 831, quoting an article by A. M. Samuel in the London Times.

capital investment greater in Great Britain than in the countries that now hold the lead in technical efficiency.

Germany

The center of attention in Germany is held by the political situation caused by the inability of the Government to secure parliamentary support for its financial program to meet the budgetary deficit of 760 million Reichsmarks, or $180.9 million. The program of the Government, which was rejected by the Reichstag, provided for additional taxes on incomes, an income tax on bachelors, a local tax on the consumption of beverages, modification of the tobacco tax, increase in the unemployment insurance rate, and reduction in government expenditures. After its defeat by the Reichstag, the Government had two courses of action open, namely, (1) to resign and leave the task of fiscal reorganization to others or (2) to ask the President of the Republic to grant it extraordinary powers, under Article 48 of the Constitution, which would enable it to promulgate the required laws by decree. The Government chose the second course. The Reichstag rejected this emergency decree of the President and was then dissolved. After the dissolution of the Reichstag, President von Hindenburg issued again a practically identical decree.

The new Reichstag elected on September 14 shows a large increase in the strength of the parties opposed not only to the fiscal program but also to the Weimar Constitution, which makes Germany a democratic country with a republican form of government. The National Socialist, or Fascist, Party obtained 6,400,000 votes and 107 seats in the Reichstag, as compared with 810,000 votes and 12 seats in 1928. A considerable part of the increase in the strength of the Fascist group, however, was obtained at the expense of the Nationalist Party, which is also opposed to the policies of the Bruening government. The Communists received 4,588,000 votes, or 1,300,000 more than in 1928, and are represented by 76 members, as compared with 54 in the preceding Reichstag. The Social Democratic Party, although losing 10 seats, remained the strongest party, with 143 representatives.

Chancellor Bruening's party, the Centrist or Catholic Center, was able to increase its representation from 62 to 68 members.[1]

The immediate effect of the rise of the Fascist, or Hitler, movement was to create a feeling approaching consternation in Germany and in many foreign countries. The violence of Mr. Hitler's declarations against the payment of reparations and against the entire European status quo created by the Treaty of Versailles found its reverberations in France in the demand for a change in the French foreign policy away from M. Briand's attitude of peaceful and constructive collaboration with Germany. In the countries whose interest in Germany is economic or financial rather than political, the political upheaval created a doubt regarding the safety not only of lending additional funds to German enterprises but also of the investments already made.

The passage of time and more mature deliberation tended to ease the strain. It was remembered, for example, that in the election held on May 4, 1924, the defeat of the moderate republican parties was greater than that sustained this September. In 1924 the moderate republican parties became actually a minority in the Reichstag, and yet that Reichstag ratified the Dawes Plan and pledged Germany to a policy of international reconciliation. The co-operation of the Bank for International Settlements in arranging a loan to Germany of $125 million produced an excellent psychological effect. Finally, the large majority with which the Reichstag rejected a motion of non-confidence in the Government and accepted its fiscal and economic program as a basis for discussion and further action by the Reichstag, indicated, in a rather conclusive manner that, so far as the downfall of the parliamentary régime is concerned, there is no ground for serious concern. The Social Democratic Party, although not a member of the Government Coalition and in many respects opposed to the policies of the Coalition, threw its entire strength in support of the Government.

It should not be assumed, however, that the political situation in Germany does not contain elements of danger.

[1] Information regarding the results of the election was obtained from the Frankfurter Zeitung.

The Reichstag will meet again on December 3. The present Coalition Government represents a more or less heterogeneous group of political parties. It cannot exist without the support of Social Democrats, and it is by no means certain how long the latter will maintain the attitude that they felt was justified in a state of national emergency. The key to the situation lies in the economic condition of the country. The unfavorable position of agriculture, depressed state of the middle classes, increase of unemployment, dissatisfaction of the leaders of industry and finance with excessive taxation, and reckless expenditure of public funds—these difficulties are the basis of the political revolt and confusion. Their early correction or amelioration would greatly strengthen the forces demanding an orderly, constructive, and peaceful development of Germany.

One of the important proposals in the fiscal program is the increase in the rate of the unemployment insurance premium to 6½%, which is expected to yield 200 million Reichsmarks, or $47.6 million. The program includes also drastic reductions in the salaries of the President of the Republic, members of the Cabinet, members of the Reichstag, civil service employees, and employees on the state railways. The program furthermore contemplates extensive economies in administrative expenses and reforms of the tax collection organization, which at present costs the Government 4½% of the total revenue. Fiscal relations between the Reich and the States and Communes will be placed on a different basis. State and communal expenditures will have to be strictly limited. By a special act the Government plans to prevent any increases in governmental expenditures during the next three years.

The acceptance of the Government's program of rigorous economy is facilitated by the obvious effects of the election. In a few weeks since September 14, about 850 million Reichsmarks, or $202.5 million, in gold or foreign exchange, were sent out of Germany by the Reichsbank, indicating the extent to which foreign capital lenders and German nationals had lost confidence in the stability of the country. Although there was no immediate danger of a depletion of the reserves, the Reichsbank found it necessary on October 9

to increase the rate of discount from 4% to 5%. While this action is considered a necessary measure of precaution, its effect will be to make credit more costly and industrial revival more difficult.

Industrial Production

The decline in industrial activity, which started in July, 1929, has continued practically without interruption in all fields of industry. The index number of production of the Institut für Konjunkturforschung—base, 1928=100—declined steadily during the second half of 1929 and the first half of this year. Contrary to the situation in the other important industrial countries, the curve of production in Germany reached the lowest point in the second quarter of 1930 and showed no tendency whatever to recover even for a brief period of time. The prediction that the spring of 1930 would mark the beginning of a period of business recovery[1] has not come true, and economic experts at the present time hesitate to guess how long the present depression will continue. The state of business will depend to a considerable extent on political developments in Germany.

The following table shows the great decline in the production of coal, lignite, and iron and steel in the first nine months of 1929 and 1930, as compared with the corresponding periods of 1928 and 1929:

Commodity	First Nine Months of	
	1929	1930
Coal	120,792 tons	108,149 tons
Lignite	129,122 "	108,926 "
Coke	28,539 "	25,375 "
Pig iron	10,049 "	7,756 "
Steel	12,425 "	9,197 "

The machinery industry was fairly active until April, 1930, when new orders declined rapidly, owing largely to diminished domestic demand. Foreign orders were lower than a year ago, but remained at a higher level than in any other recent year and helped considerably to maintain the activity of the industry. The chemical industry has, in addition to

[1] See "A Picture of World Economic Conditions at the Beginning of 1930," p. 97.

smaller domestic demand, suffered a serious decline in exports. The building industry is in a depressed condition, despite the great need for housing facilities prevailing in Germany.

The extent of industrial depression is clearly reflected in figures of unemployment. At the end of January, 1930, there were 2,483,000 persons receiving full unemployment doles, as compared with 2,392,000 persons a year ago. By the end of June, 1930, the number of fully unemployed declined to 1,468,000, but remained much higher than on the same date a year ago. The total number of unemployed, including recipients of full unemployment benefits, emergency relief, short-time workers, and all others seeking work, amounted to 2,636,000 at the end of June, 1930, as compared with 1,494,000 a year ago. By the end of September, 1930, the number of persons seeking employment exceeded 3,000,000. Table 7, showing the percentage of trade union members out of work, indicates the gravity of the situation.[1]

TABLE 7: UNEMPLOYMENT IN GERMANY, 1928–1930

Percentage of Trade Union Members Unemployed[1]

Industry	1928		1929		1930		
	Jan.	June	Jan.	June	Jan.	June	Aug.
Mining	2.3	1.3	3.2	1.4	2.6	6.4	6.9
Metal	5.5	4.8	9.3	7.2	14.1	17.5	20.3
Chemical	6.8	4.8	8.4	5.7	12.2	14.0	16.2
Textile	3.2	6.7	8.0	9.8	11.9	14.3	16.8
Clothing	13.7	16.2	24.3	18.6	24.5	23.6	28.1
Leather	7.6	10.3	13.7	16.3	18.5	21.8	20.6
Building	37.6	8.0	19.3	10.4	57.9	38.0	39.5
Foodstuffs	7.4	6.5	11.3	9.3	12.3	13.3	13.7
All industries	8.0	8.1	14.4	9.1	17.3	19.5	20.5

[1] Not including short-time workers.

The Federal Government has prepared a comprehensive plan of unemployment relief. The State Railway Company, Reichsbahn, will spend 272 million Reichsmarks, or $64.7 million, in purchases of locomotives and materials and improvement and extension of its lines. In order to enable the company to bear this expenditure, the Government has assumed liability for the interest on 150 million Reichsmarks,

[1] All unemployment figures are from the official publication "Wirtschaft und Statistik."

or $35.7 million, of the company's certificates of indebtedness. The Federal Ministry of Posts, Reichspost, has already approved contracts for new buildings, equipment, and other improvements amounting to about $50 million, which will give employment to 125,000 workers. In addition, the Federal Government will actively promote the building of small-dwelling apartments, highways and streets, sewerage systems, the regulation of rivers, irrigation, and drainage.[1]

Prices and Wages

It is doubtful, however, how effective these measures will be in providing permanent unemployment relief. The causes of the depression prevailing in Germany at the present time are exceedingly complicated and cannot be removed, it seems, without a thorough overhauling of the entire price and wage structure. German industry and trade are controlled to a great extent by a large number of cartels and similar organizations, which regulate production, fix prices, allocate territories among their members, determine conditions of purchase, sale, and delivery, and otherwise interfere with the working of the competitive system. The question is raised whether the rôle of these price-fixing organizations has not been to maintain German domestic prices at an artificial level not consistent with the interests of the nation as a whole.

In the matter of high prices the government seems to feel that it can persuade or coerce the worst offenders among the cartels to lower their prices in harmony with the world-wide trend and with the interest of the economic life as a whole. In view of the extraordinary position of Germany as a debtor on international account, the principal task of the country is to increase the competitive ability of its industries so as to create a surplus of exports sufficient to pay reparations and interest charges on debts contracted abroad. Obviously, Germany cannot create such a surplus except by offering its goods in international markets at prices below those of competing countries. If German internal prices are higher than world prices, Germany can export only by selling abroad cheaper than at home.

[1] The Economist, August 9, 1930, pp. 278–279; The New York Times, August 22, 1930; Frankfurter Zeitung, Frankfort-on-the-Main, August 3, 1930, p. 5.

This situation exists in many industries, particularly in the numerous branches of the iron and steel industry controlled by a close-knit cartel organization in which six large vertical combinations play a dominant rôle. High domestic prices of iron and steel products handicap exporting activities of the finishing branches of the industry—machinery, for example—and have given rise to an intricate system of rebates, Avi-Bonifizierung, granted by the iron and steel cartels to the finishing industries on that portion of their purchases which is intended for export. That the domestic price structure is highly unsatisfactory is generally recognized, but the remedy is complicated by the demand of producers that price reductions must be accompanied by reductions in the level of wages corresponding to the decline in living costs that would follow a general decline in prices.

TABLE 8: INDEX NUMBERS OF WHOLESALE PRICES, GERMANY, 1929 TO 1930

Base, 1913 = 100

Date	Total Index	Foodstuffs	Raw Materials and Half-finished Products	Finished Manufactures
1929, July	137.8	132.4	131.3	157.3
August	138.1	132.6	131.5	157.5
September	138.1	132.6	131.6	157.2
October	137.2	131.7	130.9	156.6
November	135.5	128.4	129.9	156.5
December	134.3	126.2	129.3	156.2
1930, January	132.3	121.8	128.3	156.0
February	129.3	116.0	126.7	154.6
March	126.4	110.0	125.5	152.9
April	126.7	112.1	124.8	151.9
May	125.7	110.7	123.8	151.5
June	124.5	109.7	122.0	151.2
July	125.1	114.8	119.4	150.5
August	124.7	116.6	117.7	149.4
September	122.8	113.5	116.3	148.4

This summer the representatives of the iron and steel cartels initiated a movement for a general reduction of prices and wages in the iron and steel industry through voluntary agreements between cartels and trade unions. Negotiations between cartel and trade union representatives, however, became deadlocked. The success of this program seems to depend on the co-operation of wholesale and retail trades

and on the willingness of cartels in all branches of German industry to follow the lead of iron and steel producers.

Foreign Trade and Balance of Payments

A most satisfactory aspect of German economic life is the development of foreign trade, which is shown in Tables 9 to 11. During the first eight months of 1930 the excess of merchandise exports over imports amounted to 720 million Reichsmarks, or $171.5 million, as compared with an import surplus of 302 million Reichsmarks, or $71.9 million, in the corresponding period a year ago. The total value of foreign trade was 2,404 million Reichsmarks, or $572.6 million, lower this year. Imports of raw materials and half-finished products were 936 million Reichsmarks, or $222.9 million, lower; foodstuffs, 471 million Reichsmarks, or $112.2 million, lower; and finished manufactures, 293 million Reichsmarks, or $69.7 million, lower. The decline in imports of raw materials was due largely to lower prices, for while the value of these imports declined 19.2% their tonnage was only 7.7% lower than a year ago. The same is true of imports of foodstuffs and beverages. In other words, the world decline of prices of raw materials and foodstuffs has been decidedly advantageous to Germany, in so far as prices of finished manufactures, which compose about 75% of German exports, have not declined in proportion.

The ability of Germany to maintain the value of exports at a figure only slightly lower than in 1929 stands in great contrast to the situation in most industrial countries, particularly Great Britain and the United States, which have suffered a marked diminution in their export business. Table 11 shows that, with the exception of the chemical industry, all the principal exporting industries of Germany have kept their sales to foreign countries at the 1929 level.

Further improvement in foreign trade occurred in September, 1930. The value of exports was 1,001 million Reichsmarks, or $238.4 million, and that of imports, 736 million Reichsmarks, or $175.3 million, bringing the export surplus for the first nine months to 985 million Reichsmarks, or $234.6 million. It can be safely assumed that for the same period Germany's net income on account of services rendered

TABLE 9: FOREIGN TRADE OF GERMANY, FIRST EIGHT MONTHS OF 1929 AND 1930

Source: Statistisches Reichsamt

In thousand dollars

Commodity Group	Imports		Exports	
	1929	1930	1929	1930
Livestock	$21,205.5	$18,122.3	$3,032.3	$8,471.3
Foodstuffs and beverages	618,512.0	506,211.2	108,796.4	81,382.0
Raw materials and half-finished products	1,161,686.2	938,744.5	463,237.3	405,137.2
Finished manufactures	371,115.8	301,419.9	1,525,525.7	1,440,973.7
Total	$2,172,519.5	$1,764,497.9	$2,100,591.7	$1,935,964.2

TABLE 10: VALUE OF PRINCIPAL IMPORTS, GERMANY, 1928–1930

Commodity	First Half of 1928	First Half of 1929	First Half of 1930
Wool	$122,000,000	$119,500,000	$65,038,000
Cotton	94,900,000	95,900,000	76,434,000
Copper	46,700,000	54,300,000	31,795,000
Iron ore	28,500,000	33,400,000	35,099,000
Machinery, not electrical	18,400,000	16,400,000	12,851,000
Leather and products	22,500,000	15,700,000	12,616,000

TABLE 11: VALUE OF PRINCIPAL EXPORTS, GERMANY, 1928–1930

Commodity	First Half of 1928	First Half of 1929	First Half of 1930
Iron and steel	$186,900,000	$223,700,000	$220,135,000
Chemical products	138,700,000	151,800,000	104,732,000
Machinery, except electrical apparatus, etc.	103,300,000	131,900,000	145,840,000
Coal	57,300,000	57,900,000	60,644,000
Paper and products	43,400,000	47,300,000	46,243,000
Leather and products	41,300,000	44,100,000	44,157,000
Glass and products	24,300,000	28,000,000	28,598,000
Rubber products	23,000,000	25,100,000	13,994,000
Copper products	29,600,000	36,000,000	36,898,000

to foreigners amounted to 300 million Reichsmarks, or $71.4 million, giving a total surplus of exports of merchandise and services of 1,285 million Reichsmarks, or $306.1 million, a figure more than sufficient to pay reparations, but not sufficient to pay also interest charges on debts contracted abroad by private enterprises and by public and semi-public institutions. Net outgoing payments on account of interest

amounted in 1929 to 873 million Reichsmarks, or $207.8 million, and will exceed that sum in 1930. The export surplus of Germany would have to reach an annual total of about 2,800 million Reichsmarks, or $666.4 million, in order to balance the country's international payments without resort to further borrowing abroad. The prospects for an early development of such a surplus are not very promising, although the steady increase in German exports since 1924 and, particularly, the remarkable results achieved in 1929 and the first nine months of 1930 warrant a more optimistic view of Germany's ability to discharge its obligations on account of reparations and interest payments by means of an export surplus than was justified a few years ago.

France

The difficulties of Great Britain and Germany—unemployment, declining industrial activity, budgetary deficits, excessive taxation—are entirely absent in France. Instead of unemployment, there is an actual shortage of labor. Industrial production is maintained at the record level reached in 1929. The flow of funds into the public treasury is abundant. There is no need for tapping new sources of revenue; rather, reductions in the tax burden are contemplated. The French franc, which only four years ago was among the most unstable monetary units in Europe, is now second to none in point of stability, and its strength in international exchange markets has been during the past year a notable and disturbing factor in exchange operations. It has brought about a great flow of gold into France, which under the French monetary system finds its final resting place in the vaults of the Bank of France. On August 22 the gold reserves of the Bank of France were 47,194 million francs, or $1,845 million. Gold imports continued steadily during the following two months, reaching almost 51,000 million francs, or $2,252 million in October, 1930. What is the explanation of this great power of French finance and of the ability of French industry and trade to escape the effects of world-wide business depression?

The Balance of Payments

In a speech on the fiscal situation, delivered on August 2, M. Paul Reynaud, French Minister of Finance, discussed the question of gold imports. The French government had been rather bitterly criticized for its failure to prevent the importation of gold. This criticism came particularly from Great Britain, the French demand for gold having exerted a heavy strain upon the gold reserves of the Bank of England. The French Government was suspected of encouraging gold imports for political purposes—of adjusting its financial policies to the dictates of international politics. In reply to this criticism, M. Reynaud declared that gold flows to France because "our credits abroad are greater than our debits; in other words, because the balance of payments is in our favor. This is a matter which, in its essence, does not depend on our will. . . . There exists in the great international markets a mass of floating capital, which goes wandering from place to place in search either of a high rate of interest or of most complete security. It has been attracted to us by the impregnable solidity of our money, the good situation of our finances, and the great resistance that our economy offers to the world crisis."[1] The Bank of France, the Minister pointed out, has done nothing to promote the flow of gold into France. It could have accelerated the movement by disposing of its holdings of foreign bills of exchange. The value of these holdings has not decreased during the past twelve months.

It is unfortunate that M. Reynaud did not find it possible to issue official figures of the French balance of payments for recent years. While the official stamp would not make the figures free from error and a certain amount of guesswork, it would at least give the students of the question a basis of judging the accuracy of such estimates as have been issued by private experts. According to an estimate of M. Pierre Meynial, the French balance of payments in 1929 was "favorable" to the amount of 13,150 million francs, or $514 million. Of this sum, 8,500 million francs, or $332 million, France took in the form of gold imports, while the remainder

[1] Société d'Études et d'Informations Economiques, Bulletin Quotidien, Paris, August 4, 1930, pp. 174–175.

represents French foreign investments. Table 12 shows the principal items of the balance of payments for 1929, as estimated by M. Meynial.

TABLE 12: INTERNATIONAL BALANCE OF PAYMENTS, FRANCE, 1929

In million francs and dollars

Items	Net Credits	Net Debts
Merchandise trade[1]	.. ..	10,000 ($391.0)
Shipping freights	3,100 ($121.2)	.. ..
Insurance	500 (19.6)	.. ..
Interest	5,500 (215.1)	.. ..
Workers' remittances	.. ..	2,500 (97.8)
Tourist expenditures	8,500 (332.4)	.. ..
Governmental debts	3,850 (150.5)	.. ..
Loans	.. ..	900 (35.2)
Sales of foreign exchange	6,550 (199.4)	.. ..
	26,550 ($1,038.2)	13,400 ($524.0)

[1] Trade with colonies counted as internal trade.

These figures explain the causes of French power to import gold, but they do not explain why that power is exercised at a time when interest rates on the French money market are apparently lower than in any other country. No single explanation of this development can be given. The main factor in the situation is the antiquated monetary system of France. Currency is obtained from the Bank of France mainly by putting gold into it and taking out its notes. There is no discount market in France. The commercial banks do not, if they can avoid it, take bills for discount to the Bank of France, first, because the latter is actively engaged in the discounting business through its numerous branches all over France in competition with the commercial banks, and, second, because for such accommodation they are charged 2% above the official discount rate, which is 2½%. As a result, when the banks need currency, they draw upon their balances abroad, import gold, and deliver it to the Bank of France in exchange for its notes. Furthermore, the Bank of France cannot effect open-market operations or hold investments for its own account; it cannot regulate credit through purchase or sale of treasury bills or securities.[1] It appears, therefore, that the flow of gold

[1] J. Henry Schröder & Co., Quarterly Review of International Conditions, London, July, 1930, pp. 4–5.

into France is not due to governmental policy but to a defective monetary system. The fact that in the year ended August 28, 1930, the note circulation of the Bank of France increased by 7,700 million francs, or $301.1 million, and the gold reserves by 8,300 million francs, or $324.5 million, supports the theory that gold was delivered to the Bank to obtain its notes.

The root of the problem, however, lies in the failure of French investors to buy foreign long-term securities. The present situation stands in sharp contrast to that prevailing before the War, when Paris was a leading financial center and French funds were eagerly invested in foreign bonds, particularly Russian and Latin-American. At present, issue of foreign securities in France or admission of securities already issued to the Paris Bourse must have the authorization of the Minister of Finance. This permission the ministry has been so far very reluctant to grant because, in the words of M. Reynaud, the government "wanted to save French savings from losses we thought were unavoidable."[1] Steps, however, have been taken by the Government to prevent further gold imports through the establishment of the Acceptance Bank in November, 1929, which purchases foreign bills in francs, through reduction of stamp duties imposed upon these bills and through lowering of taxes on foreign issues and their yield. The effect of these measures is not yet apparent. The progress will necessarily be slow. It would be greatly accelerated if the Bank of France assumed strictly the functions of a bank for other banks; in other words, if it ceased to have a clientele of its own in competition with commercial banking houses.

French demand for gold, however, is expected to decrease after the departure of tourists and with the arrival of winter months, when the balance of trade turns heavily against France and creates a strong demand for foreign bills of exchange on the part of French importers. For the first eight months of this year, as may be seen from Table 13, the import surplus on merchandise account was 1,020 million francs, or $39.9 million, less than for the first eight months of 1929. During the first nine months of 1930, the excess of

[1] Bulletin Quotidien, op. cit., p. 175.

TABLE 13: FOREIGN TRADE OF FRANCE, FIRST EIGHT MONTHS, 1929 AND 1930

In million francs and dollars

	1929		1930	
Imports				
Foodstuffs	9,144	($358.4)	6,787	($266.0)
Raw materials	23,982	(940.0)	20,615	(808.1)
Manufactures	6,429	(252.0)	7,635	(299.3)
Total	39,555	($1,550.4)	35,037	($1,373.4)
Exports				
Foodstuffs	3,918	($153.5)	4,054	($158.9)
Raw materials	8,396	(329.1)	6,917	(271.1)
Manufactures	20,485	(803.0)	18,330	(718.5)
Total	32,799	($1,285.6)	29,301	($1,148.5)

merchandise imports amounted to 6,585 million francs, or $25,813.2 million, as compared with 6,852 million francs, or $26,859.8 million, in the corresponding period of 1929. The decline in exports of finished manufactures and the increase in purchases of foreign manufactures indicate that France is losing ground in international markets. For many years after the War, French exporters were in an advantageous position owing to lower costs of production, which, however, were due not to superior organization and technical efficiency, but largely to the monetary policy of the government that gave to France a relatively low level of prices and wages. This advantage France is gradually losing. French wages are inevitably tending toward higher levels, while determined efforts are being made in competing countries, Germany in particular, to decrease costs of production by lowering wage and price levels. Germany is the largest exporter and the only important country that has actually increased its sales to France during the first half of this year, as may be seen from the following table:[1]

EXPORTS TO FRANCE

In million francs and dollars

Country	1929	1930
Germany	3,025 ($118.3)	3,994 ($156.2)
United States	3,824 (149.5)	3,341 (130.6)
Great Britain	2,991 (116.9)	2,845 (111.2)
Belgium	2,002 (78.3)	2,091 (81.8)

Particularly striking is the great decline in Franch purchases from the United States. No doubt, however, this is

[1] The Statist, August 23, 1930, pp. 288–289.

due to a considerable extent to lower prices of raw materials, particularly cotton, which France imports in large quantities.

Industrial Production and Prices

Table 14 shows that, with the exception of the textile industry, business activity in France during the first half of this year has been maintained at a remarkably high level.

TABLE 14: INDEX NUMBERS OF PRODUCTION, FRANCE, 1925 TO 1930

Base: 1913 = 100

Period	General Index	Mechanical Engineering	Automobile	Metal	Textile	Building
1925	107	115	461	101	85	80
1926	124	132	543	113	94	114
1927	109	114	522	112	90	80
1928	127	138	610	125	99	97
1929 January	137	154	697	132	97	107
February	136	151	675	126	96	110
March	138	156	704	127	94	113
April	139	156	698	131	95	116
May	139	157	720	132	93	116
June	141	159	706	130	95	118
1930 January	144	162	639	126	87	137
February	143	160	668	130	88	138
March	144	161	686	132	85	143
April	144	161	685	129	87	144
May	144	161	681	132	86	143
June	144	162	668	130	87	140

Particularly marked is the increase in building activity which helps to explain the ability of the iron and steel industry to withstand the effects of world-wide depression. The textile industry, particularly the cotton manufacturing branch, is the only industrial group that has not recovered the pre-war volume of production. Depression in this industry is international in scope. Great overexpansion of productive capacity throughout the world has brought about saturation of the market, declining prices, and a low level of profits. French textile manufacturers are forced to sell their goods practically at cost, and in some cases the price is not sufficiently high to defray the expenses of production. It is felt, however, that the low point in the depression has been reached, although an early and marked recovery is not ex-

pected. Table 15 shows the production of coal and iron and steel during the first eight months of 1929 and 1930. Produc-

TABLE 15: PRODUCTION OF COAL AND IRON AND STEEL, FRANCE, 1929 AND 1930

In thousand metric tons

Month	Coal		Pig Iron		Crude Steel	
	1929	1930	1929	1930	1929	1930
January	4,425	4,884	965	876	837	804
February	4,094	4,481	781	815	742	772
March	4,562	4,695	880	899	804	849
April	4,458	4,560	871	859	810	791
May	4,438	4,622	897	901	820	855
June	4,432	4,212	865	841	797	753
July	4,736	4,592	877	861	815	790
August	4,568	4,441	893	845	827	775

tion of iron and steel of the countries belonging to the Continental Steel Cartel is shown in the following table:

In thousand tons

Country	Fourth Quarter 1929	First Quarter 1930	Second Quarter 1930
France	2,450	2,426	2,412
Germany	3,820	3,652	2,926
Belgium	993	989	833
Luxembourg	689	656	537
Saar	546	543	494

There was a slight decline in industrial activity in the third quarter of 1930. The general index of production declined to 141 in July, 139 in August, and 137 in September. The significance of this decline, however, is not yet clear. For the first half of this year, France produced 100.5% of its quota; the Saar, 95.4%; Belgium, 92.0%; Luxembourg, 90.7%; and Germany, only 79.1%.

Table 16 shows the trend of wholesale and retail prices for 1929 and 1930. The total index of wholesale prices, compiled by the Statistique Générale, is composed of 29 domestic and 16 imported products. The increase in July, 1930, is due entirely to higher prices of domestic products, chiefly vegetable foodstuffs. In the second quarter of 1930 the index number of the cost of living for a working-class family in Paris was 572, as compared with 565 in the preceding quarter,

566 in the second quarter of 1929, and 519 in the second quarter of 1928.

TABLE 16: WHOLESALE AND RETAIL PRICES, FRANCE, 1929 AND 1930

Base, July, 1914 = 100

Date	Wholesale Total Index	Foodstuffs	Raw Materials	Retail, Paris Total Index
Average, 1929	623	584	658	606
1930 April	560	523	592	586
May	553	523	579	590
June	544	517	567	593
July	548	538	557	601
August	543	543	544	626
September	535	538	534	637

Social Insurance Law

The increase in the cost of living, particularly in the price of bread, which rose from 1.90 francs, or seven cents, per kilo in May to 2.35 francs, or nine cents, in August, has created strong opposition among industrial workers to the application of the Social Insurance Law. The law provides benefits for sickness, maternity, invalidity, and death, but does not include unemployment insurance. It applies to all wage-earners under 60 years of age whose total annual wage does not exceed 15,000 francs, or $586.50, and in cities of more than 200,000 inhabitants to all workers earning less than 18,000 francs, or $703.80, annually. The total contribution is fixed at 8% of the basic wage, 4% to be contributed by the employer and 4% by the employee. The law became effective July 1, 1930. Its application caused a series of strikes in Rouen, Lyons, and the Nord Department.

The workers objected to having their wages reduced by 4% and demanded that the employers either assume the entire cost or increase wages by 4%. Where employers were in a position to increase prices to cover the additional cost, they granted the demands of the workers, making the consumers pay. Many branches of production, particularly those which have to face foreign competition, will feel appreciably the weight of an 8% increase in their costs of production. A peculiar feature of the law is that it provides

severe punishments for employers who fail to comply with it, but makes no provision whatever for compelling the workers to abide by its terms. Section 2 of Article 10 of the Law reads as follows: "The workers subject to the provisions of the Social Insurance Law cannot oppose the deduction of the necessary amount by the employer at the time of pay." The Law, however, does not provide any means for enforcing this provision, and the workers have shown that they do not have to submit to it. In view of the shortage of labor, the employers are in a weak position, and the effect of the Law will be to increase wages and thus add to the cost of production, intensifying the trend that has been in evidence for some time and that tends to weaken the position of French industry in foreign markets.

Domestic Capital Issues

The reluctance of the Government to permit the introduction of foreign shares on the Paris Bourse is due to some extent to the large capital requirements of the domestic market. The issue of stocks and bonds during the first half of this year was nine times as high as the pre-war figure, after due allowance for the depreciation of the franc. Table 17 shows the value of stock and bond issues during the first seven months of 1929 and 1930.

TABLE 17: CAPITAL ISSUES, FRANCE, 1929 AND 1930

In million francs and dollars

Month	Shares		Bonds[1]	
	1929	1930	1929	1930
January	581 ($22.7)	286 ($11.2)	677 ($26.5)	1,336 ($52.2)
February	757 (29.6)	471 (18.4)	550 (21.5)	2,940 (115.0)
March	1,047 (40.9)	440 (17.2)	568 (22.2)	2,627 (102.7)
April	1,118 (43.7)	258 (10.1)	893 (34.9)	1,263 (49.4)
May	744 (29.1)	513 (20.1)	576 (22.5)	1,075 (42.0)
June	766 (30.0)	766 (30.0)	416 (16.3)	1,835 (71.7)

[1] Including railways, but not other public bodies.

The strength of the French capital market is shown in the ease with which the issue of $98 million of German Young Plan bonds was taken by French investors. The share of

France, which was equivalent to that of the United States, was five times oversubscribed.

Russia[1]

The peculiar economic development of Soviet Russia under the Five-Year Plan has created an extraordinary situation in international economic relations. Under the Soviet system Russian foreign trade moves according to a rigid plan. For each fiscal year[2] the State Planning Commission draws up the budget of imports. The budget includes commodities, consisting largely of finished manufactures and raw materials, which are not produced in Russia and are indispensable for the successful execution of the Five-Year Plan. These commodities the Soviet Government must import if it wishes to maintain the enthusiasm of the Communist workers and their faith in the ability of the Government to accomplish the aim set up by the Plan. Since the Government cannot obtain long-term credits abroad, it must necessarily pay for these imports by means of exports of goods. It must sell to the world under any circumstances and at any price a quantity of goods sufficient to give it an adequate supply of foreign exchange. Under normal circumstance the economic development of Soviet Russia would take place by means of imports of capital from abroad, and Russia would be able to have an unfavorable balance of trade on merchandise account and would not be forced to find outlets abroad for commodities that Russia really requires at home but must go without in order to establish credits abroad and make possible the realization of the Five-Year Plan.

[1] Par value of the Russian ruble is 51.46 cents. All conversions of Russian rubles into United States dollars in this book are made at that rate of exchange, since there is no dependable method of measuring the probable decline in the purchasing power of the ruble. The great increase in the amount of paper currency and the upward movement of wholesale prices are suggestive developments. It should also be kept in mind that all information coming out of Soviet Russia is censored by the government. While the self-criticism of the Soviet Press is truly remarkable, it is nevertheless a fact that it is very difficult to obtain accurate information regarding the working of the Soviet economic system.

[2] The fiscal year of the Soviet Government now begins on October 1 and ends on September 30. Beginning with January 1, 1931, fiscal years will be identical with calendar years.

In other words, deprived of the support of foreign capital markets, the Soviet Government is forcing the people of the country to tighten their belts, to reduce domestic consumption to a minimum, and to sell abroad not only raw materials, of which Russia has an exportable surplus, but also foodstuffs—wheat, butter, eggs, bacon, poultry—which are seldom found on the menu of the masses of the people. In view of this, much of the current discussion concerning the question of Russian dumping is beside the point.

Dumping is generally understood to mean the selling of goods for export at prices lower than those charged at the same time and under like conditions to buyers in the country of production. Since trade in Russia is a government monopoly, it would be very difficult to determine whether or not Russia is dumping products on foreign markets. The determination of prices in Russia is largely a budgetary process and in no way resembles the method by which prices are determined in the countries where industry and trade are operated by private individuals and for private profit. The concepts of costs, prices, wages, and so forth in Soviet Russia are not equivalent to those used in other countries. The price, for example, which the peasant receives for his wheat is not controlled by the law of supply and demand. It has no relation whatever to the price prevailing in the world market at Liverpool. Similarly, the export of wheat from Russia does not take place according to supply and demand, but is regulated by the need of the Government to secure foreign exchange with which to pay for the necessary imports.

The fact that should be kept in mind when discussing the question of Russian dumping is that the foreign trade of Russia is an integral part of the Five-Year Plan and has no relation to the supply and demand of commodities in international markets. If the Plan calls for imports of industrial equipment to the value of $100 million, for example, the Soviet Government can obtain foreign exchange to pay for these imports only by selling in foreign markets at any price an equivalent value of its own products. This situation will continue so long as it remains impossible for Russia to borrow capital abroad and so long as the Russian people must remain content with an unusually low standard of living in order to

provide the Government with an exportable surplus. Russia's ability to undersell private producers in foreign countries is due not to the greater efficiency of the Soviet economic system, but to the very low scale of living requirements that the worker and the peasant are forced to accept.

The Five-Year Plan

The second year of the Five-Year Plan ended on September 30, 1930. No final figures of accomplishments are yet available, but it appears from official announcements that during the last quarter of the year the production of Soviet industries did not come up to the schedule. During the first nine months of the year only 48% of the annual capital construction program was accomplished, leaving 52% of the program to be carried out during the last three months of the year. Shortage of labor and of building materials was the main reason for the lag in capital-construction. Shortage of labor was due partly to this season's bumper crops, the harvesting of which demanded shifting of industrial workers from the mines and factories to the farms.

During the first ten months of the fiscal year 1929–1930, the output of the large-scale industries amounted to 12,800 million rubles, or $6,586.9 million, in terms of 1926–1927 prices. This represents 78.4% of the annual production program, leaving 21.6% for the last two months of the year. The increase in the output of "heavy" industries, manufacturing producers' goods, was 39.5%, or 1.2% below the planned increase. The output of "light" industries, producing consumers' goods, increased 17.3%, or 6.4% less than planned in the budget.[1] It is improbable that the lag in operations can be made up during the last two months of the year. Furthermore, the quality of production has not come up to expectation, and in the first nine months of this year manufacturing costs have been reduced only 6.4%, instead of 11.0%. The Government is attempting to improve the utilization of industrial equipment and to increase the productivity of labor by stimulating "socialist competition" among factory workers.

[1] Pravda, Moscow, August 22, 1930, cited in United States Department of Commerce, Russian Economic Notes, Washington, September 26, 1930.

Social and technical reconstruction of agriculture has been carried further than was planned. The control figures for this year provided for bringing 11.8% of all the peasants into the collective farms. In June the membership of these farms was 23% of the total number of peasants. This year the so-called socialized section of agriculture, that is, the state and collective farms, accounted for 35% of the total farm production and for 60% of the output of marketable farm produce.[1] According to Mr. Stalin,[2] however, the agricultural situation is still far from satisfactory. This year the area sown to grain exceeds by 5% the pre-war area, and the grain crop this year will be 10% greater than in 1913. "As far as the marketable part of our grain crop is concerned," states Mr. Stalin, "we are still far from attaining the pre-war norm and will this year fall more than 25% below pre-war. Therein lies the basic cause of our grain difficulties, which were especially acute in 1928, and this is also the crux of our grain problem." Even more serious is the situation in the animal husbandry branch of agriculture, where Mr. Stalin sees "unmistakable signs of the beginning of a decline." The excessive zeal of Government officials in forcing farm collectivization led to extensive slaughtering of livestock by the kulaks and the middle class peasants particularly during the first half of 1929–1930. The effects are felt this winter in a serious shortage of meat products. The production of technical crops, cotton, sugar beets, and oil seeds, has been raised to a level considerably above the pre-war, but this year the output is below the figures set in the Plan.

Foreign Trade

Foreign trade is an integral part of the Five-Year Plan. The successful execution of the Plan depends on the ability of the Government to import from abroad the industrial equipment and raw materials needed by Russia in building up its industrial structure. According to the Plan, exports in 1932–1933 should be 165% greater, and imports, 80%

[1] Idem.

[2] Address of Joseph Stalin, General Secretary of the Communist part of Soviet Union, delivered at its Sixteenth Congress on June 29, 1930.

greater, than in 1927–1928. Total exports during the period are estimated at 7,000 million rubles, or $3,602.2 million, and imports, at 6,200 million rubles, or $3,190.5 million, leaving a favorable balance of 800 million rubles, or $411.7 million.

In the first year of the Plan the value of imports was 837 million rubles, or $430.7 million, and that of exports, 890 million rubles, or $458.0 million, leaving an export surplus of 53 million rubles, or $27.3 million. Imports were 12.2% lower, and exports, 12.8% higher, than in 1927–1928. In the first six months of 1929–1930, the value of exports rose 18.3%, and that of imports, 37.1%, leaving an import surplus of $16,676,600, as compared with an export surplus of $16,908,300 in the preceding fiscal year. So far this year foreign trade is not developing according to schedule. Imports are increasing faster than exports. That may partly explain the determination with which the Soviet Government has been recently forcing its products on foreign markets.

This year exports of agricultural products accounted for a greater proportion of total exports than in 1928–1929. The decline in animal husbandry is reflected in greatly decreased exports of animal products, particularly of butter and bacon. Industrial exports of Soviet Russia consist almost entirely of raw materials. The value of these exports shows marked increases, but, with the exception of matches, manufactured exports show great declines. Exports of farm products this year accounted for about 25% of the total value of exports; mining products, 19%; lumber products, 13%. These three groups of commodities account for almost 60% of the total exports. Oil alone represents more than three fourths of the exports of mining products and for 15% of the total export trade. The results attained, particularly in the field of industrial exports, are not satisfactory, and the Soviet Government is exerting all efforts to increase the sale of its products in foreign markets.

Examination of the different items in the import trade shows the extent to which the Soviet Government is prohibiting all imports that do not serve its program of transforming Russia into an industrial country. Practically 90% of all imports are used for the upbuilding of industry and

Table 18: Value of Soviet Exports in First Half of 1928–1929 and 1929–1930

In million rubles and dollars

	1928–1929	1929–1930	Per Cent Change
Agricultural products			
Farm products	77,410 ($39,835.2)	126,043 ($64,861.7)	+62.8
Flax products	29,184 (15,018.1)	37,695 (19,397.8)	+29.2
Oil cake	11,853 (6,099.6)	13,803 (7,103.0)	+16.5
Animal products	66,822 (34,386.6)	61,760 (31,781.7)	−7.6
Casings	7,557 (3,888.8)	8,008 (4,120.9)	+6.0
Butter	8,292 (4,267.1)	3,743 (1,926.1)	−54.9
Eggs	12,234 (6,295.6)	7,981 (4,107.0)	−34.8
Bacon	7,815 (4,021.6)	3,622 (1,863.9)	−53.7
Poultry and game	11,011 (5,666.3)	18,691 (9,618.4)	+69.7
Hunting and fishing products	56,788 (29,223.1)	56,286 (28,964.8)	−0.9
Total agricultural	201,020 (103,444.9)	244,089 (125,608.2)	+21.4
Industrial products			
Lumber	41,997 (21,611.7)	63,608 (32,732.7)	+51.5
Food	28,067 (14,443.3)	27,409 (14,104.7)	−2.3
Mining	74,105 (38,134.4)	93,296 (48,010.1)	+25.9
Oil	57,376 (29,525.7)	71,958 (37,029.6)	+25.4
Manganese	7,117 (3,662.4)	7,993 (4,113.2)	+12.3
Coal	3,370 (1,734.2)	6,576 (3,384.0)	+95.1
Other products	57,999 (29,846.3)	50,607 (26,042.4)	−12.7
Textiles	31,331 (16,122.9)	22,273 (11,461.7)	−28.9
Total industrial	202,168 (104,035.7)	234,920 (120,889.9)	+16.2
Miscellaneous products	10,277 (5,288.5)	10,217 (5,257.7)	−0.6
Grand total	413,465 (212,769.1)	489,226 (251,755.8)	+18.3

Table 19: Value of Soviet Imports in First Half of 1928–1929 and 1929–1930

In million dollars

	1928–1929	1929–1930	Per Cent Change
Industrial and transport equipment	$50,833.7	$80,706.3	$+58.8
Raw materials	76,267.3	87,984.8	+15.4
Cotton	23,430.3	16,745.6	−28.5
Silk	19,440.0	16,408.5	−15.6
Ferrous metals	6,015.2	15,980.4	+165.7
Non-ferrous metals	10,022.3	18,654.8	+86.1
Raw hides	7,467.4	7,786.4	+4.3
Rubber	2,153.6	4,088.0	+89.8
Half-manufactured products	24,383.8	28,210.4	+15.7
Fuel	66.9	110.6	+65.3
Agricultural equipment	19,425.6	42,145.2	+117.0
Consumers' goods	24,308.7	23,928.4	−1.6
Miscellaneous	574.8	5,346.7	+830.2
Total	195,860.8	268,432.4	+37.1

the mechanization of agriculture, while only 10% come under the classification of consumers' goods, consisting largely of tea, rice, and dried fruit. The great increase in imports of agricultural equipment reflects the progress that the Government is making in farm collectivization in order to free itself from dependence on individual peasant holdings for the necessary supply of grain.

The main impression received from this analysis of foreign trade is one of the extreme dependence of Russia on exports of farm products. Had the weather been less favorable this year and the crops less abundant, imports would have been reduced greatly, and the rate of industrial activity slowed down. Foreign trade of Soviet Russia will be in a precarious position so long as the ability to buy abroad remains largely determined by the size of the farm surplus available for export.

Public Finance

Table 20 shows the revenues and expenditures of the Soviet Government during the last four fiscal years. The increase in expenditures during the period was 106%. The income from state property and enterprises represented 42% of the total revenue, and the income from taxes, almost equally divided between direct and indirect, 47% of this total in the last fiscal year. State loans are playing an increasingly important rôle in the budget, providing more than one ninth of the total revenue in 1929–1930, an increase of more than 100%, as compared with the preceding fiscal year. More than one third of the expenditures goes for the financing of the national economy. The cost of the social and cultural activities of the Government in 1929–1930 is estimated at about $500 million. About one fifth of this amount is spent on labor protection and social insurance. The sum appears very low in view of the claims of the Soviet Government concerning the great advantages that the workers receive from the Government in the form of social benefits. The cost of the Government's activities in the field of education and art is estimated at about $280 million, while almost twice that amount is spent on the commissariat for army and navy.

TABLE 20: FEDERAL BUDGET OF SOVIET RUSSIA, 1926–1927 TO 1929–1930

In million dollars

Revenue	1926–1927	1927–1928	1928–1929[1]	1929–1930[2]
Direct taxes	$747,438.0	$776,693.0	$981,834.7	$1,351,986.5
Indirect taxes	668,230.2	836,733.4	986,531.9	1,332,402.3
Stamps and other duties	46,442.7	61,937.8	69,458.6	83,107.9
State property and enterprises	1,252,432.5	1,450,885.9	1,646,356.7	2,475,026.8
State loans	164,252.1	373,779.7	361,842.0	686,991.0
Miscellaneous	53,417.0	49,993.4	70,434.8	50,703.5
Surplus from previous budget	7,883.7	26,916.7	58,169.9	..
Total	2,940,096.2	3,576,939.9	4,174,628.6	5,980,218.0
Expenditures:				
Financing of national economy	$546,352.9	$803,551.0	$1,119,604.9	$2,034,905.9
Transportation and communication	961,222.9	1,091,212.9	1,161,298.8	1,532,785.0
Social and cultural activities	235,821.6	276,785.3	331,469.3	531,484.0
Government administration	145,072.4	127,453.0	122,985.8	129,109.5
Commissariat for army and navy	335,196.0	393,651.0	450,121.1	538,683.3
Special corps	21,007.0	25,385.7	28,498.5	34,401.0
Debt service	51,979.0	154,142.0	150,777.0	231,570.0
Turned over to local budget	477,197.3	472,573.6	554,940.5	734,141.7
Autonomous republic	37,493.8	42,602.7	49,112.4	68,441.8
Various reserve funds	102,350.3	84,945.5	78,067.4	144,695.7
Total	2,913,693.2	3,472,302.7	4,046,875.7	5,980,218.0

[1] Preliminary figures. [2] Budgetary estimates.

A somewhat alarming aspect of the financial situation is the tremendous increase in the volume of currency in circulation. On August 1, 1930, the currency in circulation amounted to 3,860 million rubles, or $1,986.4 million, an increase of 406 million rubles, or $208.9 million, since July 1, 1930, and of over 1,500 million rubles, or $771.9 million, since August 1, 1929. On August 16, 1930, the gold reserve of the State Bank was 474 million rubles, or $243.9 million, as compared with 330 million rubles, or $169.8 million, a year ago. According to the so-called unified financial plan for 1929–1930, the increase in currency circulation in that year should not have exceeded 425 million rubles, or $218.7 million.[1] There has also been a great increase in govern-

[1] Saul G. Bron, "Soviet Economic Development and American Business," New York, 1930, p. 71.

mental indebtedness. On October 1, 1927, the total public debt of Soviet Russia was 921 million rubles, or $473.9 million. Two years later the debt amounted to 2,884 million rubles, or $1,484.1 million, and it had increased to 3,020 million rubles, or $1,554.1 million, on April 1, 1930.[1]

The Problem of Labor

On June 1, 1930, about 900,000 workers were classified as unemployed, as compared with 1,081,000 on April 1, 1930, and 1,741,000 on April 1, 1929. On the average the number of persons listed as unemployed in 1928–1929 was 1,519,800, or 14.73% of the total number of workers covered by state insurance. The unemployed workers are preponderantly persons without any trade or profession, who do not belong to trade unions or who are seeking employment for the first time. There is an acute shortage of skilled labor, and the Supreme Economic Council found it necessary this summer to issue a decree providing for the enrollment of 135,000 students in factory schools and schools for the preparation of semi-skilled workers during September, 1930. Classes will be held in factory offices, club rooms, and other buildings during the hours when they are not occupied, and the engineers and technical experts of the factories and mills will compose the teaching staff.

In addition to the problem of skilled labor, Soviet industries are greatly handicapped by excessive labor turnover. It is reported that this year the turnover in the coal industry was more than 80%. The coal industry required 250,000 workers to produce the scheduled output and actually had at the end of September only 180,000 workers.[2] The average annual labor turnover in Russian factories ranges from 50% to 70%. Among the reasons given for this situation are the wide differences which exist in wage rates, food, housing, and other facilities prevailing in different parts of Russia and the excellent harvest which called many peasants back to the farms. The remedy obviously does not lie in making desertion of a job a criminal offense, but in increasing the

[1] Bank for Russian Trade, Limited, Review, London, July, 1930.

[2] The New York Times, October 8, 1930.

standard of life and equalizing wages and living conditions in the different sections of the country.

Workers engaged in industries managed by the Supreme Economic Council[1] received in 1928–1929 an average wage of 73.35 rubles, or $37.75 per month, as compared with 66.90 rubles, or $34.43, in the preceding year. The highest wages, 89.50 rubles, or $46.05, were paid in the leather industry, and the lowest, 60.50 rubles, or $31.13, in the textile industry. Railway workers receive on the average 73.69 rubles, or $37.92. Notwithstanding all social welfare activities of the Soviet Government, the standard of living of the worker is exceedingly low. Unless he is fired with an immense enthusiasm for work, his efficiency must also be low after seven years of self-sacrifice and unfulfilled hope for a better day.

In spite of marked instances of failure to meet the requirements of the Five-Year Plan, the Soviet Government can point to increasing activity in most branches of the country's economic life. The problems that the Government has to overcome are primarily problems of politics and psychology and as such do not properly fall within the scope of this study. The Russian people are asked to tighten their belts, to accept a bare minimum of existence in order to make the Soviet Union an industrial country of first magnitude. Short rations and a food card system are common in the cities, and yet food is sold abroad to pay for imports of industrial raw materials and equipment. The seriousness of the situation this fall was revealed in the execution of forty-eight persons in Moscow accused of belonging to a society that was found guilty of planning to destroy the food reserves of Soviet Russia. Instances of sabotage have occurred in mines, railroads, fisheries, and even in the fire-prevention service of the Government. Whether the increasing activity of the firing squads of the Ogpu[2] is actually due to counter-revolutionary plots or simply to incompetent and careless management, it is clear that the fundamental problem of Soviet Russia is one of human efficiency, of developing a loyal, competent, and numerically adequate working force

[1] Mining, coal, metal, textile, leather, and chemical.

[2] Secret political service of the Soviet Government.

entrusted with the management of the economic, social, and political life of a nation of 150 million people. The success or the failure of the Five-Year Plan will ultimately depend on the human factor, and for that reason estimates regarding the ability of the Soviet Government to overcome the obstacles that stand in its way are largely matters of opinion and are not based on figures and facts.

Italy

The slight improvement in Italian economic conditions which was noticeable in the first half of 1929 failed to develop into a business revival, and the economic situation of the country during the past year has been remarkably quiet. There have been no startling developments to attract the eye of a foreign observer. The impression given by the country as a whole is one of steady application to an arduous task, careful planning, and hard work.

Italy is an agricultural country, but its agriculture does not produce a sufficient quantity of foodstuffs to feed the rapidly increasing population. During the past four years the value of imports of foodstuffs ranged between 4,635 million lire, or $243.8 million, and 6,100 million lire, or $320.9 million. The pressure of these imports on the country's balance of payments is most burdensome, particularly since Italy is poor in mineral resources and must import annually large quantities of raw materials to keep its industries going.

The most important part of the Government's program for the country's economic development, therefore, is extension of the agricultural area, improvement in the methods of land cultivation, and marketing of farm products. In this "Battle of the Grain," the Government is attempting to arouse the enthusiasm of the people by organizing competitions for national and provincial prizes. In 1929 farmers from ninety provinces took part in the national competition, and prizes were distributed in Rome in December. The Government has also organized touring motor car columns, which go from province to province showing samples of selective seeds, machinery, and fertilizers and

teaching the farmers, with the aid of moving pictures, the best methods of land cultivation. The task of land reclamation is under the direction of the Ministry of Agriculture and Forests. Reclamation of 4 million acres of land is contemplated at a cost of 2,300 million lire, or $121.0 million. During the fiscal year 1929–1930 the cost of the reclamation works completed or authorized was 1,122 million lire, or $59.0 million. Of this sum, 700 million lire, or $36.8 million, was contributed by the Treasury.[1] The irrigation work on a section of 220,000 acres of land in the provinces of Reggio Emilia and Modena was completed July 20, 1930. This section contains about 1,000 farms, a network of roads about 60 miles in length, and a 60,000 horsepower hydroelectric station. The cost of this project was 240 million lire, or $12.6 million.

At the beginning of July official estimates placed this year's wheat harvest at about 6 million tons. Owing to unfavorable weather conditions during the summer, it is likely that the crop will not exceed 5 million tons and will be about 2 million tons below the record crop harvested last season.[2] This is a decidedly unfavorable development, since it will necessitate larger imports of wheat and will exert a serious strain on the balance of payments.

Industrial Conditions

Most branches of industry are operating at a lower level than a year ago. During the first nine months of this year the output of pig iron was 400,121 tons, and that of steel, 1,368,100 tons, as compared with 514,562 tons and 1,630,517 tons, respectively, in the corresponding period of 1929.[3] The textile industry has been seriously affected by the disturbances in British India. Exports of cotton fabrics during the first five months of this year were 18% lower in value than a year ago. It is reported that the spinning activity is 25%, and weaving 27%, below normal. The silk industry is in a difficult position owing to low prices, keen international

[1] The Association of Italian Corporations, "Business and Financial Report," Rome, August 1, 1930, p. 4.

[2] Commerce Reports, August 11, 1930, p. 332.

[3] Institute Centrale di Statistica, Bollettino Mensile di Statistica, Rome, October, 1930.

competition particularly from Japan, lower world demand for silk goods, and tariff increases against Italian exports in important markets. The cocoon industry is in a precarious position, the price of cocoons having declined from 31.8 lire, or $1.67, per kilo in 1925 to below 8 lire, or $0.42, per kilo at the present time. In order to help the automobile industry, and perhaps as a mark of retaliation against foreign tariff increases, the government has doubled the duty on imports of motor vehicles. Under the old rate, for example, a one-ton motor car valued at 14,000 lire, or $736.4, would have paid 7,285 lire, or $383.2, as compared with 14,660 lire, or $771.1, under the new rate.[1] The aim of the new policy seems to be to put an end to imports of all foreign motor vehicles with the exception of the highest class, hoping thus to stimulate domestic production and exports. It is pointed out, however, that this result will not be achieved, since the domestic market is not large enough to absorb a marked increase in production. The number of automobiles exported from Italy declined from 34,194 in 1926 to 23,689 in 1929. The decline in value during the same period was from 720 million lire, or $37.9 million, to 356 million lire, or $18.7 million.

Unemployment figures reflect the general slackening of industrial activity as compared with a year ago. While in 1929 the number of unemployed declined from 461,800 in January to 193,300 in June, this year the decline was much smaller, as shown in the following table:[2]

Month	Number of Unemployed	
	1929	1930
January	461,889	466,231
February	489,347	456,628
March	293,277	385,432
April	257,603	372,236
May	227,682	367,183
June	193,325	322,291

The decrease in unemployment in June, 1930, was due almost entirely to the improvement in agricultural occupations. Unemployed agricultural workers in June numbered 32,325, as compared with 78,157 in the preceding month. The situation became worse at the end of August, 1930,

[1] The Economist, July 19, 1930, p. 124.

[2] Bollettino Mensile.

Table 21: Bachi's Index Numbers of Wholesale Prices, 1926 to July, 1930

Base: 1913 = 100

Item	1929							1930						
	Jan.	Feb.	Mar.	April	May	June	July	Jan.	Feb.	March	April	May	June	July
Vegetable foods	504.5	504.3	511.5	496.2	500.3	481.3	476.1	418.8	406.3	400.5	392.1	384.9	387.5	381.3
Animal foods	472.3	491.7	470.6	465.8	466.3	468.0	447.1	325.7	414.5	405.9	408.0	407.5	401.5	394.6
Chemical products	390.6	391.6	389.7	390.9	389.0	386.8	378.3	382.2	379.4	376.3	366.6	363.4	361.0	351.2
Textiles	480.7	471.1	471.8	457.7	448.8	440.3	435.8	397.6	379.9	368.7	369.7	363.7	335.3	326.3
Minerals and metals	429.1	434.2	441.1	435.5	435.8	433.4	432.6	421.9	418.5	411.0	404.8	394.1	378.9	377.0
Building materials	496.0	500.2	488.7	493.8	496.0	495.9	493.7	497.7	495.8	493.9	489.9	489.9	481.4	479.1
Plant products	438.5	447.8	442.6	456.3	437.8	423.8	397.4	429.4	402.9	363.9	356.2	332.4	319.4	300.6
Miscellaneous	473.5	465.6	461.3	459.4	449.7	454.5	455.1	443.9	442.4	439.1	441.0	442.1	445.2	441.7
General index	461.2	462.7	461.1	455.0	451.6	446.6	439.7	417.4	408.0	399.7	396.1	390.3	381.6	374.9

when 375,548 workers were fully unemployed and 24,056 were working on short-time basis.

Prices and Cost of Living

In July, 1930, wholesale prices reached their lowest post-war level. All groups of commodities, as shown in Table 21, shared in this decline. The cost of living is also declining, but at a slower rate. In June, 1930, the index number of the cost of living—base, 1927 = 100—was 90.4, as compared with 93.4 in December, 1929, and 94.1 in June, 1929.

Foreign Trade

During the first seven months of this year Italy had a surplus of merchandise imports amounting to 3,359 million lire, or $176.7 million, as compared with 4,915 million lire, or $258.5 million, in the corresponding period a year ago. This improvement, however, was not obtained through increased exports, but was due to the fact that foreign purchases of Italian goods had declined less than Italian purchases of foreign products. Total value of foreign trade in the first seven months of 1930 was 4,239 million lire, or $223.0 million, lower than a year ago. The decline in imports accounted for 2,897 million lire, or $152.4 million. Lower purchases of foreign wheat, 980,897 tons as compared with 1,526,631 tons a year ago, were largely responsible for this decline. Considerably lower, both in value and quantity, were also imports of sugar, copper, and aluminum. Imports of cotton, wool, and rubber showed no decline in quantity, but a great decline in value owing to lower prices. Italy is

TABLE 22: FOREIGN TRADE, ITALY, 1929 AND 1930

In millions of lire and dollars

Month	Imports		Exports	
	1929	1930	1929	1930
January....	1,810.6 ($95.2)	1,505.4 ($79.2)	1,037.5 ($54.6)	974.9 ($51.3)
February...	1,846.8 (97.1)	1,494.6 (78.6)	1,137.2 (59.8)	1,077.8 (56.7)
March.....	2,024.3 (106.5)	1,504.8 (79.2)	1,213.3 (63.8)	1,044.0 (54.9)
April.....	2,040.9 (107.4)	1,571.0 (82.6)	1,286.0 (67.6)	1,038.0 (54.6)
May.....	1,909.2 (100.4)	1,489.6 (78.4)	1,302.2 (68.5)	1,039.0 (54.7)
June.....	2,306.4 (121.3)	1,982.8 (104.3)	1,583.1 (83.3)	1,338.8 (70.4)
July.....	1,590.3 (83.6)	1,082.6 (56.9)	1,054.4 (55.5)	743.6 (39.1)
Total....	13,528.5 (711.5)	10,630.8 (559.2)	8,613.7 (453.1)	7,256.1 (381.7)

benefiting through the decline of prices of raw materials, in so far as the same quantity of these materials can be purchased at a lower cost. On the other hand decreased purchasing power in the countries which export these products has lowered their ability to buy Italian goods. During the first nine months of 1930, the value of imports was 13,066 million lire, or $677.2 million, and that of exports, 9,036 million lire, or $475.2 million. The import surplus in 1930 was 4,030 million lire, or $211.9 million, as compared with 5,304 million lire, or $278.9 million, in 1929.

TABLE 23: VOLUME OF IMPORTS AND EXPORTS ACCORDING TO CLASSES OF GOODS

In metric tons

	Imports		Exports	
	Jan.–June 1929	Jan.–June 1930	Jan.–June 1929	Jan.–June 1930
Livestock, foodstuffs, tobacco, etc.	2,134,447	1,496,910	770,946	892,818
Oil seeds and fruits, vegetable and animal oils and fats	299,772	152,828	118,357	72,170
Textiles and their products	243,116	225,429	125,219	119,107
Metallic minerals, metals, mechanical and metallic products	1,154,474	1,290,782	435,540	413,724
Non-metallic minerals, earthenware, and glasses	7,637,823	7,786,605	565,662	527,010
Timber, straw, and their products	1,067,072	1,021,603	74,691	68,681
Chemical, medical, resins, and dyes	848,788	946,376	92,573	86,596
Miscellaneous, excluding precious metals and coin	253,544	255,673	110,191	83,898
Total	13,639,036	13,176,206	2,293,179	2,264,004

Public Finance

The results of the fiscal year ended June 30, 1930, show a surplus of 151 million lire, or $7.9 million. Expenditures amounted to 19,746 million lire, or $1,038.6 million, and revenues to 19,897 million lire, or $1,046.6 million. The total internal debt on July 31, 1930, was 88,346 million lire, or $4,647.0 million.

The position of the Bank of Italy is shown in Table 24. The ratio of reserves to notes and other sight liabilities was 56.1% on July 31, 1930, as compared with 53.2% a year ago. The total reserve on July 31, 1930, was composed of 5,209

million lire, or $274.0 million, in gold and 5,080 million lire, or $267.2 million, in foreign bills of exchange. During the past year the Bank of Italy has been able to prevent depletion of its holdings of foreign bills of exchange owing mainly to the improvement that has occurred in the balance of trade. The note circulation is the lowest since the War. Liquid funds are scarce as a result of the deflationist policy of the Bank of Italy and the credit restriction practiced by banks in general.

TABLE 24: BALANCE SHEET OF THE BANK OF ITALY, JULY 31, 1929 AND 1930

In million lire and dollars

	July 31			
Assets	1929		1930	
Total reserve[1]	10,094.4	($575.6)	10,289.9	($541.2)
Gold abroad due by state	1,824.7	(96.0)	1,793.9	(94.4)
Cash in hand	232.1	(12.2)	694.5	(36.5)
Inland bills	3,892.6	(204.8)	2,781.3	(146.3)
Advances	1,327.0	(69.8)	1,072.8	(56.4)
Government securities	1,060.3	(55.8)	1,136.4	(59.8)
Credit with "Instituto di Liquidazioni"	1,017.7	(53.5)	723.8	(38.1)
Liabilities				
Notes in circulation	16,887.3	(888.3)	16,182.1	(851.2)
Public deposits a/c Royal Treasury	300.0	(15.8)	300.0	(15.8)
Other deposits	1,228.8	(64.6)	1,358.9	(71.5)
Demand drafts outstanding	543.2	(28.6)	489.8	(25.8)
Fixed deposits a/c Royal Treasury	279.2	(14.7)	371.2	(19.5)
Treasury "Instituto di Liquidazioni" Interest account	200.0	(10.5)	440.0	(23.1)

[1] Including gold, foreign bills, and balances abroad available at all times and convertible into gold.

The burden of taxation is heavy. Instead of a reduction this year, it was necessary to increase certain tax rates to meet the special expenditure of 500 million lire, or $26.3 million, on military account and 250 million lire, or $13.2 million, for public works. The tax on turnover was raised July 1, 1930, from 0.50% to 1.50% on all transactions and is expected to yield 750 million lire, or $39.5 million.

BELGIUM

This summer Belgium celebrated one hundred years of existence as an independent state. With a population of

only 8,060,000 and an area of only 11,373 square miles, Belgium occupies a leading place among the nations of the world, both as a highly developed industrial and commercial center and as a treasury of art and culture. The strength of the industrial structure of the country revealed itself strikingly in the manner with which Belgian industry has so far been able to withstand the effects of the world-wide depression. With the exception of France, no other country has maintained so high a level of industrial activity in 1930 as has Belgium.

At the end of August there were only 17,747 workers totally unemployed, or 2.8% of all insured workers. Production of coal, pig iron, and steel during the first eight months of 1930 was only slightly lower than a year ago, as shown in Table 25. It is difficult to say at the present time whether or not this downward tendency in the production of coal and iron and steel marks the beginning of a serious recession of activity in these industries. The iron and steel industry has been supported by active demand on the part of the building trades, which show no signs of slowing down. The price situation, however, is not satisfactory. The sales comptoires for bars, hoop iron, and sheets were abolished, and this resulted in considerably lower prices. Cartel control becomes exceedingly difficult in a period of business depression. Cartel regulations are largely disregarded, all producers being anxious to secure as many orders as possible from buyers who know that market conditions are entirely in their favor.

TABLE 25: PRODUCTION OF COAL AND IRON AND STEEL, BELGIUM, 1929 AND 1930

In thousand tons

Month	Coal		Pig Iron		Crude Steel	
	1929	1930	1929	1930	1929	1930
January	2,454	2,489	351	343	357	340
February	2,115	2,274	302	315	302	321
March	2,393	2,333	334	342	349	359
April	2,243	2,258	336	313	342	313
May	2,122	2,290	348	300	340	293
June	2,200	2,054	342	265	349	253
July	2,231	2,212	347	260	356	264
August	2,220	2,223	348	247	365	245

The window-glass industry is suffering from price cutting, and no improvement is expected without a complete reorganization of the industry on the basis of agreement among principal producers or elimination of weaker firms. In August, 1930, the industry was operating at 40% of capacity.[1] The textile industries are inactive. Cotton spinners are reluctant to buy, expecting further declines in cotton prices. The flax and linen trades are depressed. The new flax crop has been practically destroyed by heavy rains and barely justifies the cost of harvesting.[2] The automobile industry, on the other hand, is in a satisfactory position.

Foreign Trade

The total value of Belgian foreign trade during the first half of 1930 was 3,193 million francs, or $88.8 million, lower than in the corresponding period a year ago, as shown in Table 26. Of this sum, the decline in exports accounted for

TABLE 26: FOREIGN TRADE, BELGIUM, FIRST HALF OF 1929 AND 1930

In million francs and dollars

Commodity Group	Imports 1929	1930
Foodstuffs	3,438 ($95.6)	3,400 ($94.5)
Raw materials and half-finished products	9,145 (244.2)	8,047 (223.7)
Finished manufactures	4,746 (131.9)	5,169 (143.7)
Total	17,329 (481.7)	16,616 (461.9)

	Exports 1929	1930
Foodstuffs	1,210 ($33.6)	961 ($26.7)
Raw materials and half-finished products	5,460 (151.8)	4,274 (118.8)
Finished manufactures	9,358 (260.2)	8,313 (231.1)
Total	16,028 (445.6)	13,548 (376.6)

2,480 million francs, or $68.9 million. The excess of merchandise imports over merchandise exports during the first nine months of this year was 3,109 million francs, or $86.3 million, as compared with 2,713 million francs, or $75.4 million, a year ago. This development should give no cause for alarm, as the invisible items in the balance of payments not only cover the excess of merchandise imports but also leave a net surplus

[1] Commerce Reports, August 25, 1930, p. 453. [2] Idem.

for investment abroad. In other words, Belgium has returned to its pre-war position as a creditor country. Table 27 gives the Belgian balance of payments for 1929.

TABLE 27: INTERNATIONAL BALANCE OF PAYMENTS, BELGIUM, 1929

In million francs and dollars

Credits		
Freights	500	($13.9)
Emigrant remittances	1,100	(30.6)
Port of Antwerp transit	1,250	(34.8)
Tourist expenditures	1,250	(34.8)
Governmental debts[1]	975	(27.1)
Income from foreign investments	3,600	(100.1)
	8,675	(241.3)
Debits		
Surplus of merchandise imports[2]	2,703	($75.1)
Immigrant remittances	175	(4.9)
Dividends and interest	725	(20.2)
Interest and amortization of external debts	846	(23.5)
Expenditures of Belgian tourists	200	(5.6)
	4,649	(129.3)
Surplus available for investment abroad	4,026	(111.9)

[1] German reparations minus inter-allied debts.
[2] Including Congo.

Prices and Cost of Living

Table 28 shows a sharp decline in wholesale prices and a marked increase in the cost of living of industrial workers during the first half of 1930, as compared with a year ago.

TABLE 28: INDEX NUMBERS OF WHOLESALE PRICES AND COST OF LIVING, BELGIUM, 1929 AND 1930

Months	Wholesale Prices Base: April, 1914 = 100		Cost of Living Base: 1921 = 100	
	1929	1930	1929	1930
January	867	808	213	226
February	865	791	214	238
March	869	774	216	232
April	862	777	215	226
May	851	774	213	224
June	848	750	211	226

Especially marked declines occurred in the prices of rubber, textile products, foodstuffs, chemicals, and paper products. The following table shows index numbers of certain textile products in June, 1929, and June, 1930.

Base: April, 1914=100[1]

Commodities	1929	1930
Woolen goods	1,035	764
Flax goods	1,038	582
Jute goods	738	524
Cotton goods	1,066	730
All textiles	1,010	672

[1] Ministère de l'Industrie, du Travail et de la Prévoyance Sociale, Revue du Travail, July 31, 1930, pp. 1294–1295.

These figures explain to some extent the unsatisfactory position prevailing in the textile industry. The only group of commodities that showed an increase in prices during the period was that of ceramics and construction materials.

Public Finance

Since 1926 Belgium has not only had a balanced budget, but revenues each year have exceeded expenditures. Government expenditures have grown steadily, increasing from 7,915 million francs, or $220.0 million, in 1927 to 11,826 million francs, or $328.8 million, in 1929. The budget for 1930 provides for an expenditure of 11,514 million francs, or $320.1 million. According to preliminary figures actual revenues in 1929 were 13,426 million francs, or $373.2 million, exceeding the budgetary estimates by 1,941 million francs, or $54.0 million. The total public debt amounted to 52,305 million francs, or $1,454.1 million, December 31, 1929. The following table shows the status of the public debt during the last four years.

In million francs and dollars

Date	Internal Debt	External Debt	Total
June 30, 1926	32,278 ($897.3)	26,970 ($749.8)	59,248 ($1647.1)
October 26, 1926[1]	27,577 (766.6)	29,917 (831.7)	57,494 (1598.3)
December 31, 1928	25,832 (718.1)	28,220 (784.5)	54,052 (1502.6)
December 31, 1929	24,637 (684.9)	27,668 (769.2)	52,305 (1454.1)

[1] Date of currency stabilization.

The National Bank of Belgium is in an excellent position. Gold and foreign exchange reserves are at a record level. On August 7, 1930, gold reserves amounted to 6,041 million francs, or $167.9 million; foreign exchange reserves, 4,166 million francs, or $115.8 million; and note circulation, 15,307

million francs, or $425.5 million. The ratio of reserves to all sight liabilities was 64.25%.[1]

Agricultural Conditions

Unfavorable weather has seriously damaged the wheat, barley, and oats crops. It is reported that the condition of these crops is so poor that machine harvesting could not be used, and it was necessary to hire sickle-harvesters at a high cost. Low grain prices, poor quality of the harvest, and high cost of harvesting will make it difficult for most farmers to cover their costs of production. Producers of meat, milk, butter, and eggs, however, are receiving remunerative prices for their products.

Sweden

The level of industrial activity in Sweden during the first seven months of this year was higher than a year ago, as may be seen from Table 29, showing index numbers of production compiled by the Svensk Finanstidning. Particularly marked is the high rate of operations in the iron ore, wood, and paper and pulp industries. The strong reaction that set in during June did not extend into July, which shows a remarkable recovery. It is too early, however, to predict the trend of business in the autumn months. So far Sweden has successfully resisted the effects of the depression prevailing in most countries, owing largely to the fact that Swedish industry is engaged primarily in the manufacture of necessities or of high-class goods for which there is a special demand at good prices.

Foreign Trade

During the first seven months of 1930 the value of merchandise imports was 962 million kronor, or $257.8 million, and that of exports, 873 million kronor, or $234.0 million, leaving an import surplus of 89 million kronor, or $23.8 million. The decline in exports was particularly marked in July, when they amounted to 138 million kronor, or $37.0 million, as compared with 168 million kronor, or $45.0 mil-

[1] Société de Banque Suisse, "La situation financière de la Belgique," Bulletin Monsuel, August, 1930, pp. 213–226.

lion, in July, 1929. For the first time since July, 1921, trade figures for July this year resulted in an import surplus, indicating that Swedish exports are beginning to feel the decline in purchasing power due to widespread business depression.

TABLE 29: INDEX NUMBERS OF PRODUCTION, SWEDEN, 1929 AND 1930

Base: 1923–1924=100

Month	Iron Ore		Iron and Steel		Wood		Paper and Pulp		Total Index	
	1929	1930	1929	1930	1929	1930	1929	1930	1929	1930
January	202	217	134	136	104	91	218	232	148	151
February	187	189	124	125	127	140	159	176	134	144
March	161	185	129	121	128	139	163	196	135	149
April	202	215	131	121	121	133	196	196	146	149
May	184	226	141	118	101	131	146	164	130	140
June	198	198	139	112	93	112	155	134	129	123
July	189	196	141	127	92	101	152	150	129	130

Exports of iron ore were higher than a year ago, owing largely to the great volume of trade during the first three months of this year. In the second quarter there was a marked decline in iron ore shipments, with no prospects of an early improvement. Wood exports were also higher than a year ago, but the market has been considerably shaken by the announcement that Soviet Russia is preparing to enter the wood market on a large scale and by the Russian price-cutting policy started in May, 1930. While it is not yet certain whether or not Russia will be able to carry out its plan of exporting timber on a large scale, the announcement itself was sufficient to make purchasers cautious and to cause some confusion among Swedish exporters.[1]

Wholesale Prices

The trend of wholesale prices has been steadily downward since July, 1929, as shown in Table 30. Particularly marked were the declines in prices of sulphite pulp and coal. Pig iron prices remained practically unchanged. Wheat and wood showed relatively slight decreases.

According to official estimates the yield of principal farm crops will be considerably higher this year than in 1929. The

[1] Skandinaviska Kreditaktiebolaget, Quarterly Report, July, 1930, p. 58.

crop of autumn wheat is estimated at 5.5 million decitons, as compared with 4.5 million decitons a year ago. The corresponding figures in million decitons for autumn rye are 4.44 against 4.01; hay crop, 51.75 against 48.21 from cultivated ground and 6.66 against 5.99 from natural meadows.

TABLE 30: INDEX NUMBERS OF WHOLESALE PRICES, SWEDEN, 1929 AND 1930

Base: 1913=100

Date	Producers' Goods	Consumers' Goods	Total
1929			
June	134	146	139.6
July	135	146	140.5
August	135	146	140.1
September	132	147	139.4
October	131	148	139.1
November	131	146	138.2
December	131	144	137.4
1930			
January	130	141	135.3
February	129	139	133.5
March	126	136	130.8
April	126	134	130.0
May	124	133	128.3
June	124	131	127.2

The condition of public finance is very satisfactory, and the Riksbank finds itself in a strong position. The Swedish national debt was reduced to 1,796.9 million kronor, or $481.6 million, at the end of August, 1930. The political situation is calm. This year has been singularly free from labor disturbances. There is no problem of unemployment. It remains to be seen, however, whether or not the signs of slackening business activity, which became apparent in June, will develop into a major relapse.

NORWAY

Norway still remains almost entirely free from the effects of business depression prevailing in most countries. Throughout the first seven months of this year industrial employment was better than in 1929 or any other year since 1925. Agricultural prospects are for better than average crops. The output of fisheries is on the whole below that of 1929.

The catch of herrings and mackerel is shown in the following table:[1]

TABLE 31: PRODUCTION OF NORWEGIAN FISHERIES, 1928–1930

Year	Herrings in Hectoliters						Total Catch of Mackerel in Kilograms
	Total Catch	Packed in Oil	Herring Oil Industry	Canning	Skjaere-sild	Cured for Trade Purposes	
1928	425,685	17,640	239,890	73,980	10,735	13,035	7,000,000
1929	1,006,495	6,910	685,940	171,320	13,825	55,255	6,300,000
1930	311,700	14,270	262,670	1,490	300	16,315	8,200,000

The brisling fisheries yielded practically nothing in August, and the supplies to the canners this year were only 90,160 bushels, as compared with 828,475 bushels in 1929.

TABLE 32: INTERNATIONAL BALANCE OF PAYMENTS, NORWAY, 1929

Source: Norwegian Central Bureau of Statistics

In million kroner and dollars

Credits		Debits	
Exports	752 ($201.5)	Imports	1,065 ($285.3)
Whaling	85 (22.8)	Shipping	210 (56.3)
Shipping	415 (111.2)	Interest and dividends	85 (22.8)
Interest and dividends	15 (4.0)	Miscellaneous	30 (8.0)
Tourists	27 (7.2)		1,390 ($372.4)
Transit	20 (5.4)		
Miscellaneous	30 (8.0)		
	1,344 ($360.1)		
Deficit	46 (12.3)		
	1,390 ($372.4)		

Signs of declining industrial activity became manifest in August, particularly in industries producing for export, namely, paper, lumber, and electro-chemical. Pulp and paper prices are unsatisfactory. Lumber exports are falling off, but the industry is fairly active owing to the strong demand for lumber on the part of the building industry. Electro-chemical exports are higher than in 1929, but the conclusion of the international agreement concerning the production of nitrates will make it necessary for Norway to curtail exports of electro-chemical products. The movement

[1] Norges Bank, Monthly Report, Oslo, August, 1930, pp. 70–71.

of foreign trade has on the whole been very satisfactory in comparison with a year ago. The value of imports and exports during the first seven months of 1930 and 1929 was as follows:[1]

FIRST SEVEN MONTHS
In million kroner and dollars

	1929	1930
Imports	599.7 ($160.7)	586.9 ($157.3)
Exports	423.9 (113.6)	413.1 (110.7)
Excess of imports	175.8 (47.1)	173.8 (46.6)

In 1929 Norway had a surplus of merchandise imports of about 314 million kroner, or $84.2 million. This excess was made up partly by income from shipping, whaling, and tourist and transit trade and partly by borrowing abroad. Table 32 shows the international balance of payments of Norway for 1929. In 1928 the net indebtedness of Norway to foreign countries increased by 120 million kroner, or $32.2 million, as compared with 46 million kroner, or $12.3 million, in 1929.

DENMARK[2]

In comparison with most other countries this year, Denmark has experienced little hardship, although, on account of its small size and limited resources, it is forced to depend for prosperity largely on its foreign trade. The total imports and exports for the seven months of this year showed very little change from last year's trade for the same period. This is the more remarkable, perhaps, in that 75% of Denmark's exports consist of farm produce, and world prices for agricultural products have declined sharply. Of the three major export commodities, comprising about two thirds of the total, the export price of butter in August, 1930, was 18% lower than in August last year; of bacon, 30%; and of eggs, 17%. Exports of butter increased in quantity, but the price decline carried the total value to 9% below last year's figure for the period. This was offset, however, by the increased value of exports of bacon and other meats.

[1] Ibid., p. 69.

[2] Sources of information: Den Danske Landmandsbank, Monthly Review of the Economic Situation in Denmark, Copenhagen; U. S. Department of Commerce, Commerce Yearbook; Statesman's Yearbook.

TABLE 33: FOREIGN TRADE, DENMARK, FIRST SEVEN MONTHS OF 1929 AND 1930

In million kroner and dollars

	1929	1930	Per Cent Change
Total exports	963 ($258)	941 ($252)	− 2.3
Agricultural products	725 (194)	713 (191)	− 1.7
Butter, etc.	307 (82)	279 (75)	− 9.1
Bacon and other meats	284 (76)	319 (85)	+12.3
Eggs	42 (11)	41 (11)	− 2.4
Total imports	994 (266)	1,006 (270)	+ 1.2

The agricultural prospect for the current year is described as promising. Although rain delayed the cereal harvest, the weather changed in time to insure normal returns, and the moist weather was favorable for pastures and turnip and beet crops.

The major industries in Denmark are engaged in the preparation of agricultural products for consumption—flour mills, slaughter houses, butter, cheese, condensed milk factories, and so on. There is also considerable manufacturing—textiles, paper, oils and varnishes, and cement. Ship-building is important. In all, these industries employ about 400,000 persons. Unemployment among the 275,000 organized workers in recent years has averaged about 50,000. The average number of unemployed at the end of each month so far this year has been 40,300, as compared with 47,100 during this period in 1929.

TABLE 34: UNEMPLOYMENT, DENMARK, FIRST EIGHT MONTHS OF 1929 AND 1930

End of	1929	1930
January	77,200	58,300
February	80,000	61,900
March	65,900	49,400
April	42,500	36,200
May	32,700	29,500
June	29,700	25,800
July	28,900	27,200
August	27,000	28,000
Average	47,987	39,537

These generally favorable conditions in Denmark have persisted in spite of a steady decline in prices, shown in the following table:

TABLE 35: INDEX OF WHOLESALE PRICES, DENMARK, FIRST EIGHT MONTHS OF 1929 AND 1930

Base: 1913=100

	1929	1930
January	151	143
February	159	140
March	154	136
April	150	135
May	148	132
June	146	130
July	149	129
August	150	128

The world crisis has seriously affected Denmark's carrying trade. With a merchant marine of over 700 vessels having capacity of about 1 million gross tons in 1928, Denmark engages in carrying freight to all parts of the world. The amount of idle shipping increased during the first eight months of this year to a maximum of 42 ships of over 172,000 dead weight tons in August.

TABLE 36: IDLE SHIPPING, DENMARK, FIRST EIGHT MONTHS OF 1930

Month	Number of Ships	Tonnage
January	..	..
February	18	67,078 d. w.
March	29	114,605
April	36	151,738
May	32	146,165
June	24	131,011
July	33	158,698
August	42	172,144

TABLE 37: FINANCIAL STATISTICS, DENMARK, JULY, 1929 AND 1930

In million kroner and dollars

Banking

	End of July 1929	End of July 1930
Bank loans, except National Bank	1,774 ($475.4)	1,818 ($487.2)
Bank deposits, except National Bank	1,952 (523.1)	2,010 (538.7)
Savings bank deposits	2,020 (541.4)	2,110 (565.5)
Note circulation	325 (87.1)	333 (89.2)
Gold reserve of national bank	173 (46.4)	172 (46.1)

Credit Associations

	First Seven Months 1929	First Seven Months 1930
New loans	166 ($44.5)	209 ($56.0)
Loans redeemed	34 (9.1)	36 (9.6)
Net	132 (35.4)	173 (46.4)

Statistics of loans granted by Danish banks and credit associations also show that the rate of business activity during 1930 was generally satisfactory in comparison with a year ago. Business failures in 1930 were less numerous than in 1929. During the first eight months of this year the number of bankruptcies was 265, as compared with 298 in the corresponding period of 1929. The corresponding figures for compulsory sales of property are 1,272 and 1,847.

Denmark has one of the lowest tariffs in the world. Its economic strength is due to the excellent organization and efficiency of its industries. The fact that it has no outstanding political problems indicates that economic and social conditions are generally satisfactory.

Netherlands[1]

Although foreign trade is a most important factor in the economic life of the country, the Netherlands has been less seriously affected by the current business depression than most other countries, and foreign trade was more active than domestic business.

Dependence upon foreign commerce is to be expected for a country with a small area, about equal to that of Massachusetts and Connecticut combined, and with a rather limited variety of natural resources. Furthermore, the geographic position of the Netherlands has made it a gateway to Continental Europe. The tonnage of goods handled in transit trade exceeds the combined tonnage of imports for domestic consumption and exports of domestic products, and a larger proportion of the population is occupied in the carrying trades than in almost any other country. The permanent excess of imports on merchandise account is partly attributable to the payments of freight charges by foreign countries for shipping services. Finally, the rubber, coffee, sugar, tobacco, copra, spices, tin, and petroleum of the colonies in the East and West Indies, which have proved a mine of wealth to the mother country, are marketed chiefly

[1] Sources of Information: Rotterdamsche Bankversoniging, Monthly Review, Rotterdam; Commerce Reports; Amsterdamsche Bank, Financial and Economic Review, Amsterdam; Federal Reserve Bulletin.

in countries other than the Netherlands—Great Britain, Germany, France, the United States—the visible payment being evident, as in the case of freight payments, in the excess of merchandise imports.

The foreign trade of the Netherlands, as shown in Tables 38 to 41, has declined comparatively little. The traffic of Rotterdam, which handles over three fourths of the sea-borne merchandise and on the new waterway during the first half of the year was greater than during the same period last year.

TABLE 38: FOREIGN TRADE OF THE NETHERLANDS, FIRST SEVEN MONTHS, 1929 AND 1930

In million florins and dollars

	1929	1930	Per Cent Change
Imports	1565 ($629.1)	1480 ($595.0)	−5.4
Exports	1131 (454.7)	1025 (412.1)	−9.4

TABLE 39: MOVEMENT OF SEA-BORNE MERCHANDISE, NETHERLANDS, FIRST HALF, 1929 AND 1930

Traffic of Rotterdam

	1929	1930	Per Cent Change
Ships	5,873	6,150	+5
Tonnage, net registered	10,034,031	10,250,518	+2

Traffic on the New Waterway

	1929	1930	Per Cent Change
Ships	7,059	7,935	+12
Tonnage net registered	11,916,186	12,623,487	+ 6

TABLE 40: GEOGRAPHIC DISTRIBUTION OF FOREIGN TRADE, NETHERLANDS, FIRST HALF, 1929 AND 1930

In million florins and dollars

	Imports		Per Cent Change	Exports		Per Cent Change
	1929	1930		1929	1930	
Germany	377 ($151.6)	414 ($166.4)	+10	221 ($88.8)	194 ($78.0)	−12
Great Britain	131 (52.7)	135 (54.3)	+ 3	192 (77.2)	96 (38.6)	−50
Belgium	141 (56.7)	119 (47.8)	−16	94 (37.8)	186 (74.8)	+98
France	56 (22.5)	60 (24.1)	+ 7	56 (22.5)	66 (26.5)	+18
United States	150 (60.3)	109 (43.8)	−27	31 (12.5)	23 (9.2)	−26

Trade with specific countries did not change uniformly. Imports from Germany during the first six months increased

Table 41: Foreign Trade by Groups of Commodities, Netherlands, First Half, 1929 and 1930

In million florins and dollars

	Imports			Exports		
	1929	1930	Per Cent Change	1929	1930	Per Cent Change
I. Live animals	6.24 ($2.51)	3.14 ($1.26)	−49.8	5.78 ($2.32)	7.29 ($2.93)	+26.3
II. Foods, etc.						
(a) Raw and semi-manufactured	228.19 (91.73)	192.56 (77.41)	−15.6	178.94 (71.93)	159.40 (64.08)	−10.9
(b) Manufactured	81.23 (32.65)	62.07 (24.95)	−23.6	179.72 (72.25)	161.77 (65.03)	−10.0
III. Materials, crude and advanced						
(a) Animal	56.31 (22.64)	46.81 (18.82)	−16.9	23.95 (9.63)	20.17 (8.11)	−15.8
(b) Vegetable	234.77 (94.38)	209.03 (84.03)	−11.0	62.12 (24.97)	52.76 (21.21)	−15.1
(c) Mineral	168.49 (67.73)	182.12 (73.21)	+8.1	69.00 (27.74)	60.41 (24.28)	−12.5
IV. Manufactures	551.28 (221.61)	577.74 (232.25)	+4.8	429.76 (172.76)	306.40 (123.17)	−28.7
V. Gold and silver	21.29 (8.56)	7.06 (2.84)	−66.8	43.48 (17.48)	16.24 (6.53)	−62.6
VI. Miscellaneous	2.80 (1.13)	3.34 (1.34)	+18.6	11.14 (4.48)	12.54 (5.04)	+12.5

10%; from Great Britain, 3%; and France, 7%; but imports from the United States declined 27%; and from Belgium, more than 15%. Exports to Germany, Great Britain, and the United States were less than last year, but to France were larger and to Belgium nearly double.

Imports of manufactured articles and mineral products were higher than a year ago. All classes of exports, except the live animal group and the small miscellaneous group, were greatly reduced.

It is feared that tariff changes contemplated by Germany and France will result in a serious decline in exports of foodstuffs. Announcement of the projected increase in import duties on butter and cheese by Germany gave rise to such hostility on the part of the Dutch dairymen that they started a movement to boycott German products. As Holland is perhaps the largest purchaser of German goods, and its imports from Germany are more than twice as large as its exports, an amicable settlement of the tariff difficulties will be of advantage to both countries.

The effects on Holland of the unfavorable conditions in the Dutch East Indies are less direct and therefore more difficult to trace. The price of rubber has fallen more than 35% from the middle of March to August, 1930; coffee was affected by the Brazilian situation; sugar, by Cuba's difficulties aggravated by the United States tariff policy; other colonial products have also been seriously affected by the fall in prices. Under these conditions the purchases of Dutch products by the colonies have necessarily been curtailed, and persons in the Netherlands who obtain their income from colonial enterprises have doubtless found their receipts reduced.

Indexes of internal conditions shown in Table 42 are not entirely consistent with each other. Prices have declined, unemployment has increased, clearings have been lower than last year, and security prices have been deflated. On the other hand, coal production and construction have increased, wages have been higher than last year, more electricity has been consumed, and government revenues have increased. The textile industry, according to latest accounts, is in a less favorable condition than at any time during the past six

Table 42: Netherlands Bank Statement, First Eight Months, 1929 and 1930

In million florins and dollars

Month	Stock of Gold			Foreign Bills		
	1929	1930	Per Cent Change	1929	1930	Per Cent Change
January	435 ($174.9)	440 ($176.9)	+1.1	203 ($81.6)	217 ($87.2)	+6.9
February	435 (174.9)	437 (175.7)	+0.5	167 (67.1)	201 (80.8)	+20.4
March	423 (170.0)	432 (173.7)	+2.1	42 (16.9)	204 (82.0)	+385.2
April	432 (173.7)	432 (173.7)	0.0	89 (35.8)	213 (85.6)	+139.1
May	437 (175.7)	432 (173.7)	−1.1	161 (64.7)	236 (94.9)	+46.7
June	437 (175.7)	432 (173.7)	−1.1	176 (70.8)	238 (95.7)	+35.2
July	449 (180.5)	391 (157.2)	−12.9	178 (71.6)	241 (96.9)	+35.3
August	443 (178.1)	391 (157.2)	−11.7	154 (61.9)	234 (94.1)	+52.0

Month	Loans and Discounts			Note Circulation		
	1929	1930	Per Cent Change	1929	1930	Per Cent Change
January	160 ($64.3)	141 ($56.7)	−11.8	782 ($314.4)	787 ($316.4)	+0.6
February	172 (69.1)	130 (52.3)	−24.3	776 (312.0)	782 (314.4)	+0.8
March	252 (101.3)	171 (68.7)	−32.2	783 (314.8)	837 (336.5)	+6.9
April	296 (119.0)	145 (58.3)	−51.0	840 (337.7)	829 (333.3)	−1.3
May	194 (78.0)	144 (57.9)	−25.8	797 (320.4)	804 (323.2)	+0.9
June	151 (60.7)	159 (63.9)	+5.3	779 (313.2)	843 (338.9)	+8.2
July	160 (64.3)	136 (54.7)	−14.9	812 (326.4)	809 (325.2)	−0.4
August	162 (65.1)	132 (33.8)	−48.1	801 (322.0)	800 (321.6)	−0.1

Table 43: Indexes of Business Activity, Netherlands, Second Quarter, 1929 and 1930

Denomination	Units	1929			1930		
		April	May	June	April	May	June
Coal production	1,000 tons	945	955	921	977	1,017	916
Workmen in the coal mines	Number	35,115	35,047	34,974	37,896	37,636	37,498
Buildings applied for	Million dollars	6.47	10.72	6.28	8.58	7.17	7.25
Electric current used	Million kilowatts	127	115	108	140	136	122
Wages: miners, underground	Dollars per shift	2.28	2.29	2.29	2.36	2.35	2.36
Masons, Amsterdam, hourly wages	Dollars	0.37	0.39	0.39	0.42	0.41	0.41
Unemployment index	Per cent	2.8	2.4	2.1	5.4	4.8	4.3
Registered number of unemployed	Thousands	50.0	41.8	41.1	71.2	66.2	63.3
Wholesale price index	Base: 1913=100	144	142	141	122	118	118
Bankruptcies	Number	236	231	217	250	241	240
Clearings: Netherlands Bank	Million dollars	1,544.8	1,455.6	1,300.8	1,292.8	1,391.7	993.3
Government revenues	Million dollars	16.1	19.5	16.0	17.7	20.4	15.9

years, but the shoe manufacturers are well booked, stocks are low, and they have little unemployment. Margarine factories are well occupied, but the dairy industry is operating below normal. Metal-working industries have been adversely affected by shrinkage in colonial orders and by the slackening in ship-building.

From the financial side, the Netherlands Bank statement given in Table 42 shows the situation.

The reduction in gold reserves in July was chiefly due to export shipments by the Bank in order to counteract the rising franc rate. The Bank has considerably increased its holdings of foreign bills abroad. A substantial reserve has been built up to meet possible requirements for payments abroad. Loans and discounts have been for the most part far below last year. Money has been abundant, with interest rates in the open market considerably below the Bank rate, at 1¼ to 2½%. The stock exchange has remained dull, although a recovery toward the end of August was noted. The influence of general economic conditions upon government revenues is not yet observable. For the first seven months of the year, total revenues were 301 million florins, or $121 million, and exceeded those of last year during this period by over 8 million florins, or $3.2 million. The chief forms of taxation, however, do not immediately reflect the situation. The income tax, for instance, will show the effects much later.

Czechoslovakia[1]

Czechoslovakia presents a rather typical picture of the depression. Production is at a low level, unemployment high, prices low, and trade curtailed, business failures numerous, and collections difficult.

Some industries are more seriously affected by the depression than others. The textile industry is said to be in a really critical position, particularly the cotton and linen factories. Imports of raw cotton for the first seven months of the year amounted in quantity to 86% and of wool, to 83% of last year's imports during this period. The silk and rayon industry appears to have been less affected, employ-

[1] National Bank of Czechoslovakia, Bulletin, Prague; Commerce Reports

ment continuing about at average. The metal-working industries have also been seriously depressed. Production of iron and steel during the first quarter of the year was higher than last year, as shown in Table 44, but in later months the

TABLE 44: PRODUCTION OF IRON AND STEEL AND COAL, CZECHOSLOVAKIA, FIRST SEVEN MONTHS, 1929 AND 1930

In thousand metric tons

Month	Pig Iron		Crude Steel		Coal		Lignite	
	1929	1930	1929	1930	1929	1930	1929	1930
January	137	143	179	181	1,342	1,398	1,943	1,850
February	112	132	159	173	1,294	1,179	1,700	1,572
March	138	144	181	189	1,508	1,197	2,087	1,565
April	142	125	191	161	1,340	1,174	1,979	1,514
May	147	123	187	162	1,250	1,106	1,743	1,463
June	142	108	191	136	1,243	1,054	1,586	1,349
July	137	111	190	155	1,351	1,180	1,736	1,458
Total	955	886	1,278	1,157	9,328	8,288	12,774	10,771
Per cent change	..	−7	..	−9	..	−11	..	−16

output was greatly reduced. The moderate increase in July is attributed to Russian purchases. Domestic sales remained at a low level. Employment in the different branches of the metal-working industry was uneven. The machinery industry reflected conditions in other lines of manufacturing. With few exceptions, incoming orders were unsatisfactory, and workers were not kept regularly employed. In July the number of insolvencies reached the highest monthly total of the year. In the glass industry the number of registered unemployed at the end of June totalled 2,508, as compared with 358 last year. The output of coal, shown in Table 44, may be taken as an indication of general industrial conditions.

TABLE 45: NUMBER OF UNEMPLOYED, CZECHOSLOVAKIA, FIRST HALF, 1929 AND 1930

Month	1929	1930	Percentage Increase
January	53,247	73,891	39
February	55,224	86,156	36
March	46,689	88,005	77
April	43,094	79,721	85
May	36,186	77,069	113
June	34,434	73,464	113

Table 46: Merchandise Trade by Commodity Classes, Czechoslovakia, First Seven Months, 1929 and 1930

In million crowns and dollars

	Exports			Imports		
	1929	1930	Per Cent Change	1929	1930	Per Cent Change
Live animals	21 ($0.6)	23 ($0.7)	+16.7	386 ($11.4)	416 ($12.3)	+7.9
Food and drink	1,227 (36.3)	922 (27.3)	−24.8	1,672 (49.5)	1,383 (40.9)	−17.4
Raw materials	1,866 (55.8)	1,591 (47.1)	−14.7	5,955 (176.3)	4,459 (132.0)	−25.1
Finished articles	7,756 (229.6)	7,301 (216.3)	−5.9	3,560 (105.4)	3,058 (90.5)	−14.1
Total	10,870 ($321.8)	9,837 ($291.4)	−9.5	11,573 ($342.6)	9,316 ($275.8)	−19.5
Bullion and gold	7 (0.2)	6 (0.2)	0.0	12 (0.4)	18 (0.5)	+25.0

Building activity so far this year has been low, and most of the construction was by public corporations and in connection with emergency work. Private construction has been discouraged by restricted credit. Construction work has alleviated unemployment, as it was largely concentrated in sections suffering most from industrial depression. The total number of applicants for work, however, was considerably higher this year than in 1929, as shown in Table 45.

The decline in foreign demand for products of Czechoslovakia has been comparatively small, as shown in Table 46. Finished manufactures, which comprise about three quarters of the total exports, were only 6% lower than a year ago. Exports of cotton manufactures, however, declined 12%; wool manufactures, 18%; and glass and glassware, 14%. Exports of cereals were 34% less than last year; and sugar, 18% less.

The statistics of import trade suggest a considerable reduction in Czechoslovakia's requirements for foreign products, especially raw materials. Imports of raw cotton declined from 1,230 million crowns, or $36.4 million, to 914 million crowns, or $27.1 million, and raw wool from 1,058 million crowns, or $31.3 million, to 632 million crowns, or $18.7 million. However, the decline in quantity was considerably less in proportion than the drop in value; imports of raw cotton were 14%, and of wool, 17% lower in volume during the first seven months of 1930 than in the corresponding period a year ago.

The general wholesale price level during the first eight months of this year has been about 12% lower than last year. Prices of foodstuffs have been almost consistently below the joint index of industrial materials and manufactures.

The indexes of retail food prices and cost of living for the worker indicate that the price reductions for commodities at wholesale were passed on to the consumer only in a moderate degree or were offset by increases in other items. The hardships of depression were not mitigated from the consumer's point of view by lower costs of living.

Agricultural conditions are reported as satisfactory—better, on the whole, than was expected after the hot and dry

weather prevailing in June. Although rain retarded harvesting in certain sections, it improved the condition of the beet and potato crops and of the pastures. The fruit crop, which suffered especially from the drought in June, was also benefited by July rains.

TABLE 47: INDEX NUMBERS OF WHOLESALE PRICES, CZECHOSLOVAKIA, FIRST EIGHT MONTHS, 1929 AND 1930

Base: July, 1914=100

	Total			Foodstuffs			Materials and Manufactures		
	1929	1930	Per Cent Change	1929	1930	Per Cent Change	1929	1930	Per Cent Change
January	953	862	−10	891	787	−12	1,020	945	− 7
February	950	849	−11	887	773	−13	1,019	933	− 8
March	964	831	−14	911	751	−18	1,022	919	−10
April	963	827	−14	893	746	−17	1,039	916	−12
May	940	822	−13	879	749	−15	1,007	902	−10
June	917	815	−11	845	737	−13	995	899	−10
July	922	819	−11	856	757	−12	994	886	−11
August	916	808	−12	846	751	−11	992	869	−12

TABLE 48: INDEX NUMBERS OF RETAIL FOOD PRICES AND COST OF LIVING, CZECHOSLAVAKIA, FIRST EIGHT MONTHS, 1929 AND 1930

Base: July, 1914=100

	Food Prices			Workers' Cost of Living		
	1929	1930	Per Cent Change	1929	1930	Per Cent Change
January	900	872	−3	745	745	0
February	911	865	−5	748	741	−1
March	913	853	−7	754	727	−4
April	901	851	−6	746	727	−3
May	906	852	−6	744	726	−2
June	907	865	−5	744	736	−1
July	925	886	−4	761	745	−2

According to the periodic statements of the National Bank of Czechoslovakia, the financial position has been steadily strengthened by an increase in gold reserves, as well as by balances abroad and holdings of foreign currencies. At the same time, the volume of note circulation has been less than last year. Check balances were variable from month to

Table 49: Condition of the National Bank of Czechoslovakia, First Eight Months, 1929 and 1930

In million crowns and dollars

Date	Gold			Foreign Balances		
	1929	1930	Per Cent Change	1929	1930	Per Cent Change
January 31	1,206 ($35.7)	1,262 ($37.4)	+4.8	2,010 ($59.5)	2,039 ($60.4)	+1.5
February 28	1,206 (35.7)	1,262 (37.4)	+4.8	1,841 (54.5)	1,980 (58.6)	+7.5
March 31	1,206 (35.7)	1,262 (37.4)	+4.8	1,781 (52.7)	1,907 (56.4)	+7.0
April 30	1,207 (35.7)	1,262 (37.4)	+4.8	1,688 (50.0)	1,872 (55.4)	+10.8
May 31	1,206 (35.7)	1,313 (38.9)	+9.0	1,703 (50.4)	2,052 (60.7)	+20.4
June 30	1,206 (35.7)	1,313 (38.9)	+9.0	1,781 (52.7)	2,135 (63.2)	+19.9
July 31	1,207 (35.7)	1,414 (41.9)	+17.4	1,696 (50.2)	2,063 (61.1)	+21.7
August 31[1]	1,205 (35.7)	1,414 (41.9)	+17.4	1,757 (52.0)	2,219 (65.7)	+26.3

[1] August 23 for 1930.

Date	Note Circulation			Check Account Balances		
	1929	1930	Per Cent Change	1929	1930	Per Cent Change
January 31	7,115 ($210.6)	6,923 ($204.9)	−2.7	562 ($17.2)	407 ($12.0)	−30.2
February 28	7,063 (209.1)	6,838 (202.4)	−3.2	405 (12.0)	395 (11.7)	−2.5
March 31	7,333 (217.1)	7,011 (207.5)	−4.4	350 (10.4)	417 (12.3)	+18.3
April 30	7,133 (211.1)	6,854 (202.9)	−3.9	466 (13.8)	401 (11.9)	−13.8
May 31	7,183 (212.6)	6,896 (204.1)	−4.0	404 (12.0)	491 (14.5)	+20.8
June 30	7,612 (225.3)	7,196 (213.0)	−5.5	415 (12.3)	439 (13.0)	+5.7
July 31	7,321 (216.7)	6,897 (204.2)	−5.8	425 (12.6)	482 (14.3)	+13.5
August 31[1]	7,500 (222.0)	6,285 (186.0)	−16.2	345 (10.2)	1,139 (33.7)	+230.4

[1] August 23 for 1930.

month. The excessive rise indicated in August is doubtless in anticipation of payments due on the first of the month. The discount rate of the Bank was reduced from 5%, the rate maintained since March 7, 1927, to 4½% in May and to 4% in June and July. Day-to-day rates were, on the whole, lower than a year ago.

Canada[1]

The most conspicuous event in Canada during the current year was the parliamentary election. Mr. R. B. Bennett was elected Prime Minister in place of W. L. MacKenzie King, the Liberal Prime Minister, and the Conservative Party came into power. The Liberal group in Parliament was reduced from 120 members to 85 members, while the Conservative strength rose from 90 to 140. Even the Province of Quebec, which is the stronghold of Liberalism, elected out of their total of 65 representatives no less than 25 Conservatives in the place of only 4 in the previous Parliament. In Ontario, indeed, the Conservatives gained rather less then generally expected, and they actually lost ground in British Columbia, but they scored a great success in the other western provinces and in the Maritime provinces.

The outcome of the election has been of particular interest in the United States from the viewpoint of trade relations between the two countries, and there has been some tendency to relate the outcome to the tariff revision of the United States rather than to conditions in Canada itself. Indeed, Mr. Bennett was very frank in stating that, whereas he had no objection to the United States erecting a tariff wall against Canada, it was only right that the Dominion should protect its own industries from competition of that country. Canada's economic interests must come first, those of the British Empire second, and the rest of the world, including the United States, last in the determination of Canadian tariff policy. The emergency tariff revision put into effect by Canada in September has embodied this policy.

[1] Sources of information: The Commercial and Financial Chronicle, New York; Royal Bank of Canada, Monthly Letter, Quebec; Canadian Bank of Commerce, Monthly Commercial Letter, Montreal; Dominion Bureau of Statistics, Monthly Review of Business Statistics, Ottawa; U. S. Department of Commerce, Commerce Reports; The Canadian Yearbook.

The first object of the revision, however, was to stimulate industry as a practical means to relieve Canadian unemployment, and it was applied to industries that would be able most readily to take advantage of rate changes. In addition, an appropriation of $20 million was set aside specifically to provide for unemployment relief. The general tariff revision was postponed until the next session of Parliament.

As a matter of fact, the overturn of the Liberal Party should perhaps be traced more properly to the economic depression and widespread unemployment. Democratic electorates express their dissatisfaction with conditions of economic adversity by turning out the party in power with little regard to the basic factors that have really brought about the existing state of affairs, just as, conversely, the administration in office during a period of prosperity receives credit for the favorable situation, whether or not it is actually entitled to it.

Other causes, of course, contributed to the political overturn. The Dunning Budget, presented to the Canadian Parliament on May 1, had included proposals for an extensive revision of the tariff, favoring British Empire trade by reducing the rates on 270 items, including 216 added to the free list under the British preferential tariff. Although sentiment in Canada is strongly pro-Empire, the policy is not without serious disadvantages. New Zealand found in Canada a market for twenty per cent of its total exports of butter, comprising four fifths of Canada's total purchases from New Zealand and contributing to force prices to a point lower than any reached for years. This created an attitude among dairy farmers very favorable to Mr. Bennett's proposal to grant concessions for Empire trade only on the basis of compensating advantages.

The general depression in Canada has apparently not been so serious as the situation in most other countries of the world, but aside from mining there has been little enough for favorable comment. Mining of metallic ores and petroleum production, however, have shown a positive advance over last year, offsetting to a substantial extent the decline in prices. The monthly index of employment in these lines has been at a level consistently higher than a year ago; and the

output of copper during the first half of 1930 was 37% greater than that during the same period of last year; of zinc, 20%; and of lead, 11% greater. Petroleum production was 36% higher than last year's output during these months.

TABLE 50: INDEX NUMBERS OF EMPLOYMENT IN METAL MINING, CANADA, FIRST NINE MONTHS, 1929 AND 1930

Base: 1926=100

Month	1929	1930
January	126.6	146.6
February	128.3	148.9
March	125.6	151.7
April	129.3	145.6
May	132.2	149.3
June	138.4	148.8
July	140.3	142.2
August	145.1	142.5
September	147.2	141.0

Aside from the metals and petroleum production, mining has reflected the general industrial situation of the country. For the first eight months of 1930 the output of coal amounted to only 9,321,000 tons, as compared with 11,461,000 in 1929, a decline of almost 19%. The production of building materials, cement and lime was 13% and 14% lower than last year.

Manufacturing has suffered considerably in the depression, the automobile industry in particular. In the early part of the year the output of cars was reported as about half that of last year. The steel mills have felt the effect of reduced activity in construction. In September it was reported that the mills were working about 35% of capacity.

TABLE 51: INDEX NUMBERS OF AUTOMOBILE, IRON, STEEL, AND NEWSPRINT PRODUCTION, CANADA, FIRST EIGHT MONTHS, 1929 AND 1930

Base: 1919–1924=100

Month	Automobiles		Iron		Steel		Newsprint	
	1929	1930	1929	1930	1929	1930	1929	1930
January	274.0	132.1	149.0	147.9	177.6	176.1	245.9	239.0
February	359.0	173.4	159.4	120.0	179.2	163.0	229.0	231.1
March	405.5	207.0	146.1	123.1	209.8	179.5	246.0	234.2
April	398.0	230.5	134.6	122.9	186.5	157.0	255.0	262.6
May	302.6	236.2	138.4	136.6	193.0	140.0	281.1	272.0
June	224.7	157.6	152.6	112.1	182.5	145.5	264.1	251.0
July	202.9	118.1	169.4	109.8	198.4	104.5	268.0	254.0
August	177.5	122.1	191.0	97.6	184.0	88.0	257.9	235.1

The index of employment for manufacturing in general, however, showed a much smaller decline. It has remained at an almost uniform level, which, however, is much lower than that of a year ago.

TABLE 52: INDEX NUMBERS OF EMPLOYMENT IN MANUFACTURING INDUSTRIES, CANADA, FIRST EIGHT MONTHS, 1929 AND 1930

Base: 1926=100

Month	1929	1930
January	107.8	106.5
February	112.8	110.2
March	115.7	110.9
April	116.5	111.3
May	119.8	112.4
June	121.2	113.6
July	120.3	111.3
August	121.6	110.2

Construction work is indicated in Table 53, showing contracts awarded and building permits and employment in construction. The increased employment in the face of the reduction in contracts and permits suggests a change toward larger undertakings, probably pushed forward partly with a view to relieving the general employment situation.

TABLE 53: INDEX NUMBERS OF CONSTRUCTION, CANADA, FIRST EIGHT MONTHS, 1929 AND 1930

	Base: 1919–1924 = 100				Employment Base: 1926 = 100			
	Contracts		Building Permits		Building		Highway	
	1929	1930	1929	1930	1929	1930	1929	1930
January	457.0	420.0	253.9	218.0	96.6	121.4	70.4	59.0
February	223.0	227.4	237.9	203.0	93.0	114.9	43.0	55.9
March	176.5	163.0	293.0	162.5	94.3	109.2	40.7	52.0
April	160.3	186.0	207.8	114.0	102.5	110.5	38.2	57.8
May	211.5	160.0	161.5	132.0	114.3	127.6	77.9	101.2
June	250.5	195.8	201.9	130.6	134.7	140.8	144.3	177.2
July	243.0	165.0	183.0	126.0	148.8	150.9	213.3	319.7
August	243.1	219.0	180.0	115.4	170.2	154.9	298.2	362.9

The key to Canada's general economic situation is agriculture. The net value of mining output amounts to only 6% of the total of all divisions of production. Manufacturing

has reached a parity with agriculture, accounting for about 42% of the total net value of national production, but the proportion of the population engaged in industry is much smaller than that in agriculture. Canada may be characterized not so much as an industrial country, but rather as an agricultural country possessing a relatively small number of well-developed large-scale industries.

As a farming country, Canada has been directly affected by the world-wide agricultural depression. Furthermore Canada's share in the total of world shipments of wheat and wheat flour for the year ending July 31, 1930, appears to have dropped to 32% from 44% in the previous year. Canada's exports were 195 million bushels, with estimated world shipments totaling 613 million.

In Canada, as in the United States, the extreme heat and drought endangered the crops, especially in the prairie provinces. In the Red River valley and eastern Saskatchewan the wheat was badly affected by rust. Damage from this cause was estimated as 15% to 20% in the regions affected. Fortunately rain came in time to save the situation from disaster. The wheat filled out well, and the prospect, on the whole, appeared to be better than had been expected. The total wheat crop is estimated at 385 million bushels, larger than last year's crop, but not as large as that of 1928. For all Canada the condition of the other major field crops on July 31, 1930, as a percentage of the ten-year average, was as follows: oats, 92; barley, 92; spring rye, 87; flaxseed, 89; mixed grains, 102. The return of agricultural prosperity will be contingent not merely upon the size of Canadian crop but upon the requirements of importing countries and upon size of crops of competing suppliers.

During the past months retail trade has remained consistently dull. Tourist traffic during the early summer months was unsatisfactory, probably because of unfavorable weather, but in August the number of tourists was reported as exceptionally great, though their per capita expenditures were below last year's. Railroad traffic, indicated by the index of car loadings, reflects the almost complete absence of the customary seasonal expansion.

TABLE 54: INDEX NUMBERS OF CAR LOADINGS, CANADA, FIRST EIGHT MONTHS, 1929 AND 1930

Base: 1919–1924=100

Month	1929	1930
January	126.0	120.6
February	139.0	123.1
March	130.4	118.9
April	151.0	129.6
May	147.0	134.0
June	142.9	123.5
July	146.0	123.0
August	143.1	126.4

Gross railway earnings of the Canadian Pacific Railroad and the Canadian National Railroad for the half year were $192 million, or 17% less than for the same period last year.

Foreign trade for the first eight months of the year was 23% below last year for the same period. Exports of Canadian products fell 25%, from $775 million to $582 million; and imports, 21%, from $890 million to $706 million. The value of the principal classes of exports is shown in Table 55.

TABLE 55: VALUE OF PRINCIPAL EXPORTS, CANADA, FIRST EIGHT MONTHS, 1929 AND 1930

Commodity	1929	1930
Vegetable products	$282,570,000	$185,794,000
Animal products	88,123,000	60,163,000
Iron and products	63,466,000	35,061,000
Wood and paper	192,830,000	170,208,000
Non-ferrous metals	96,219,000	85,666,000

The index number of wholesale prices, which in January this year was 95.6, or the same as the monthly average for

TABLE 56: INDEX NUMBERS OF WHOLESALE PRICES, CANADA, FIRST EIGHT MONTHS, 1930

Base: 1926=100

Month	Total	Consumers' Goods	Producers' Goods	Raw or Partly Manufactured	Fully or Chiefly Manufactured
January	95.6	95.4	94.6	98.0	92.9
February	94.0	95.0	92.2	93.9	92.5
March	91.9	93.5	89.7	89.7	91.6
April	91.7	92.6	89.0	90.3	90.3
May	89.9	91.3	87.1	88.6	89.1
June	88.0	89.8	85.2	87.1	87.6
July	85.8	88.1	81.7	80.6	86.4
August	84.1	86.6	80.0	77.4	85.8

the year of 1929, declined from month to month till it reached 84 in August, 1930. Producers' goods appear to have fallen further than consumers' goods. Raw products have fallen more than manufactured goods. Non-ferrous metals dropped from 95.5 to 77.8; vegetable products, from 92.2 to 83.0; and animal products, from 110.2 to 98.8.

On the whole, it is felt that Canada, while far from the condition of prosperity of last year, has suffered less than most countries and will respond more promptly when improvement once begins. Fundamentally, the country is in a sound economic position. The current depression represents merely a temporary pause in the growth of Canadian industry and trade.

Cuba[1]

The depression which has persisted in Cuba since 1925 reached an acute stage this year. Cuba is virtually a one-product country, whose economic welfare centers about the sugar industry. Sugar exports represent 80% of the total exports and normally pay for Cuba's total import requirements. The picture of Cuba's economic situation can be gained only by reference to the condition of the sugar industry.

Cuba is in much the same position as Brazil in having exceptional advantages for the production of a single commodity with a single market, the United States, the largest market in the world, in which to sell. The mutual advantage of the trade—for Cuba, the size of the market, which at the same time has to offer in exchange practically all the commodities needed in Cuba, and for the United States, a nearby source of supply of a necessity produced in the United States only under conditions unsuited to American standards—has led Cuba inevitably to overspecialization, to too great dependence of the national welfare upon a single product and a single market.

The danger of this situation has long been appreciated, and efforts were made to diversify production. Cocoa, coffee,

[1] Sources of information: Commerce Reports; U. S. Bureau of Foreign and Domestic Commerce, Trade Information Bulletins; Commercial and Financial Chronicle; The New York Times despatches; U. S. Department o fAgriculture, Foreign Crops and Markets.

bananas, and vegetables of many kinds can be grown. Tobacco, raised near the western end of the island, is said to be of the best quality. Mineral resources are not lacking. Iron, copper, chrome, and manganese ores are regularly produced for export, and there is a small output of coal and petroleum. Local manufacturing of textiles, clothing, footwear, paints, paper, furniture, soaps and perfumes, and so forth is being promoted. Hitherto, however, the superior advantages of sugar production have retarded diversification.

The high per capita import trade of Cuba, normally about $75, as compared with $35 for the United States, reflects the dependence which specialization has induced. Although itself an agricultural country, a third or more of the imports consist of foodstuffs. Cuba is dependent not merely for most articles of manufacture, but for large quantities of cereals, meats, and lard. With greater diversification of production the current depression might have been less serious.

Under the Hawley-Smoot tariff of 1930, the tariff on sugar imported from Cuba has been raised from 1.76 cents a pound to 2 cents. With a cost of production at present less than 2 cents a pound, the duty more than doubles the price which the consumer must pay for Cuban sugar, and, as it is intended, forces the purchase of higher-cost domestic, Philippine, Porto Rican, and Hawaiian sugar. Coming just at the moment of the existing depression of the sugar industry, this was a severe blow to Cuba. In the long run, however, it may well prove an advantage. The United States is promoting that independence which Cuban statesmen have long wished to see. Events during recent months reveal a tendency toward diversification of domestic production, diversification of markets for export products, and reduction of purchases from the United States.

The large increase in local production of corn, cattle, coffee, and butter has apparently outstripped the lowered purchasing power in the cities, but the proposal to feed the excess corn to the hogs should result in reducing imports of pork products and lard from the United States. Coffee growers are standardizing their different grades and improving methods of marketing and have asked the government to increase

the duty on coffee in order to secure the local market for the domestic product. In the industrial field a movement toward mergers and other forms of industrial combination has become evident and is an outcome probably of the new program of economic expansion and intensification.

Arrangements were made with the Soviet Government by the Santa Clara Planters' Association of 43 mills to sell sugar to Russia on special terms. According to reports, 235,000 tons of sugar had been sold by the end of July, and further sales are expected. A committee was sent to New York to work out a plan wtih the New York bankers for expanding sales to other markets. It has been estimated that Cuba will dispose of 1,500,000 tons to countries outside of the United States. Exports to the United States during the first seven months of 1930 amounted to 2,600,000 tons, valued at $44 million, as compared with 5,766,000 tons and $108 million in the corresponding period a year ago. In the first half year 65% of the total exports went to the United States, and 32%, to Europe, as compared with 79% to the United States and 18% to Europe during the same period in 1929.

Other expedients have been initiated or proposed to relieve the sugar situation which bear upon the broader problem of Cuba's economic progress in different ways. Some of the large mills, realizing that there is a margin for further economies in the agricultural phases of the industry, have bought irrigation equipment, in order to enable them through intensified cultivation to produce their total requirements on their own properties and give up their leased lands. Savings in haulage of cane to the mills will also be effected. This will permit increased sales in the United States, while at the same time forcing the utilization of the land, no longer required for sugar, for other crops.

New features of the industry are the shipment of "liquid sugar" to the United States and of 99½ degree supercentrifugal sugar for special sale to certain industries that can substitute it for granulated sugar and are willing to pay a price higher than that paid for 96 degree sugar.

The government has taken part in this work by appointing

a Sugar Commission or Board, representing mill owners, growers, and government, to regulate sales on the basis of data obtained from day to day by consuls in New York and London and transmitted immediately to Cuba, export prices to be set by the Secretary of Agriculture, who is a member of the Board. The Co-operative Sales Agency, known as the "Single Seller," created last September by presidential decree, was abolished in April owing to dissatisfaction on the part of the sugar producers with its failure to finance the industry during the harvest as proposed and to regulate exports beneficially.

The reduction of Cuba's purchases from the United States has not been as violent as the drop in total exports. Sales to Cuba during the first seven months fell from $78 million in 1929 to $61.5 million for the same period this year. Imports from Cuba declined from $138 million to $73 million. The normal heavy export balance, which represents "invisible" payments of interest and dividends on foreign loans, and so forth, was reduced from $59 million in 1929 to only $11.5 million in 1930.

At the same time, the stock of money in Cuba has declined $16 million, from $161 million in July, 1929, to $145 million on August 1, 1930. Because of general business inactivity, idle currency has been accumulating in the banks. These, finding themselves with an excess, have transferred large sums to the United States. Taking into account the turnover or circulation of money, this outflow represents a serious decline in purchasing power of the country and will very likely be reflected soon in a further reduction of import trade.

It is easier for legislators to enact a new tariff rate than for the industry affected to adjust itself to the new conditions, and where the industry is virtually the foundation of the economic welfare of the country the adjustment necessarily affects the entire economic life. It is hardly to be expected that Cuba will return to a position of equilibrium very promptly. Recent reports indicate that small merchants are discontinuing business, collections are extremely difficult, and unemployment is growing.

Mexico[1]

Business in Mexico is unsatisfactory owing to short crops, low prices for export commodities, particularly for silver, and the shut-down of mines. The government's public works program, increased petroleum output, and the establishment of new industries requiring machinery and equipment, however, have tended to offset the adverse factors, and the settlement of the Mexican foreign debt obligations may improve the tone of business and pave the way for recovery and expansion.

Of Mexico's exports petroleum, silver, lead, copper, and henequen are the major items, comprising sixty-five per cent of the total. The decline in the price of silver, from 57 cents in January last year to less than 33 cents in August of this year, has placed many of the mines in a very serious position. In most silver-producing countries, silver is a by-product of copper, lead, or zinc mining. Three quarters of the total world production is by-product silver. In United States production only a third is major product. In Mexico, however, the mining is chiefly for silver as the major product. Only a sixth is by-product silver. Complete suspension of the principal silver-mining groups seemed unavoidable. The government authorized mining companies to reduce the number of employees 50% without applying to the Labor Courts. Copper prices, also, dropped 50%, from about 18 cents in January to less than 11 cents in September. Most of Mexico's production under American enterprise is shipped to the United States for refining; imports into the United States for the first eight months of the year were 21% lower in quantity and 32% lower in value than for the same period last year.

Lead has declined less in price than silver and copper, but exports of lead have apparently fallen more, to judge by United States purchases, which normally amount to from one half to two thirds of Mexico's total exports of lead. American imports from Mexico during the first seven months

[1] Sources of Information: Commerce Yearbook; The Annalist; Commerce and Finance; The New York Times despatches; Commerce Reports; the Commercial and Financial Chronicle; U. S. Department of Commerce, Monthly Petroleum Statistics.

of 1930 amounted to little more than 40% in quantity and even less in value of the imports during the same period last year.

Reduced exports of henequen have brought about a difficult situation in the Yucatan Peninsula, and it was reported that the Federal Government may reduce the tax on henequen in order to relieve the situation.

There has been, however, a slight increase in production and exports of petroleum since February, 1930. Considerable interest, also, has arisen in the oil possibilities in the State of Nuevo Leon and in the northern part of the State of Tamaulipas. In 1921 Mexico stood second to the United States in petroleum production, with an output of 193 million barrels. Thereafter, production has steadily declined, reaching in 1929 an output of less than 45 million barrels. How much of this decline has been due to political disturbances and how much to actual depletion of resources is not yet clear. Although the total production and exports for the first five months of the year are somewhat less than for the corresponding period in 1929, it is hoped that a definite upward trend has started.

TABLE 57: PRODUCTION AND EXPORTS OF PETROLEUM, MEXICO, FIRST SEVEN MONTHS, 1929 AND 1930

In thousand barrels

Month	Production		Exports	
	1929	1930	1929	1930
January	3,515	3,719	1,895	1,825
February	3,130	3,271	1,266	1,776
March	3,526	3,490	2,258	1,962
April	3,505	3,319	2,150	2,192
May	3,624	3,350	2,907	2,729
June	3,648	3,287	2,961	3,030
July	3,907	3,000	2,483	2,001

The United States normally takes from 65% to 70% of Mexico's total exports. Thus the decline in United States imports from Mexico during the first six months of the year, from $67.6 million in 1929 to $51.5 million in 1930, probably indicates a similar curtailment in Mexico's total export trade.

Fortunately, the loss in export trade has been counteracted to a certain extent by favorable developments in other direc-

tions. The Federal Government has been able to continue with its program of public works, particularly highway extension and irrigation projects. A board was organized in March to study the situation with a view to relieving unemployment and stimulating production. Work was begun on the Matamoras-Reinosa section of the ocean-to-ocean highway to connect Matamoras and Mazatlan and upon the Arriaza-Tuxtla Gutlierrez section of the Pan-American highway in southern Mexico. The third National Roads Congress, meeting early in May, recommended the issue of a thirty-year loan of 150 million pesos, or $70.8 million, for continuance of the road construction program proposed by the last year's Congress. The highway improvement already accomplished has brought increased tourist traffic, and during the Easter holidays Acapuleo Chapala and Vera Cruz reported larger numbers of visitors than ever before. President Rubio, conferring with representatives of Mexican chambers of commerce, urged the appointment of a national tourist commission. A new hydro-electric plant in Tamaulipas was begun. An electric light bulb factory was opened by the General Electric Company in Monterrey. In Tampico agricultural development, establishment of new industries, and highway construction did much to improve conditions and create a more optimistic feeling.

Reflecting these developments, perhaps, railway traffic has actually been above normal, as were also imports of machinery and electrical equipment. During the first seven months of the year the United States, which supplies 65% to 70% of Mexico's total imports, shipped over $74 million worth of goods to Mexico, as compared with $73 million in the same period of 1929.

The revision of terms of the Mexican foreign debts, agreed upon by the Government of Mexico and the "International Committee of Bankers on Mexico," representing the interests of the foreign bondholders, may be expected to establish Mexico's financial position upon a firmer basis. The present agreement replaced those formulated in 1922 and 1925, which became inoperative when the government announced its inability to meet the obligations as agreed. Under the latest arrangement new 5% bonds will be issued

to refund the present direct debt of the government and the existing railway bonds. The term of payment will be extended to forty-five years, and the claim of about $366 million for arrears of interest greatly reduced. On the debt of the National Railways Company, the bondholders are to forego interest payments for the next five years, the funds being used for additions and betterments needed in order to enable the company to operate with greater economy. The status of the National Railways Company was really that of insolvency, but it was thought advisable, in order to permit the creditors to take over its management, to reorganize the present company through the formation of a new one in accordance with Mexican laws.

No new loans to Mexico are at present contemplated, although the provision is made that the government and similarly the railway company may issue new bonds in the future under specified conditions after the service on the present debt is being paid at the normal rate of 5%.

The provisional budget for the coming year, submitted by the Secretary of the Treasury to Congress for approval, amounts to 280 million pesos, or $132 million, including the provision for the foreign debt of $12 million to be paid to the international bankers according to the Lamont-Oca agreement. This does not include provision for foreign claims for losses suffered in the course of the country's revolutionary struggles amounting to about $150 million. The internal debt, exclusive of the agrarian debt incurred by expropriation of large estates for distribution among the peons, estimated as high as $750 million, will involve payments of 40 million pesos, or $18.9 million. Budget appropriations for the public debt were 26.5 million pesos, or $12.5 million, for 1930, 34 million pesos, or $16.0 million, for 1929, and 33 million pesos, or $15.6 million, for 1928. The new budget estimates for most of the departments are below those of last year, a saving aggregating nearly 29 million pesos, or $13.7 million, reduced by the increase estimated of 4 million pesos, or $1.9 million, for the Ministry of Finance. Estimates for the departments of Communications, Education, and Foreign Affairs are the same as last year.

Argentina[1]

With a diminished volume of exports and lower prices for its products, Argentina has found itself during the first part of the year with seriously reduced purchasing power. This was reflected in the declining volume of commercial transactions, in both domestic trade and imports, lower railway receipts and depressed shipping, an increasing number of business failures, weakened exchange rates, and reduced government revenues.

Corn, wheat, linseed, beef, wool, and cattle hides are the major export products of Argentina, comprising 80% to 85% of the total exports. Prices in London[2] for linseed, during the early months of the year, were 10% higher than last year, and for meats were approximately the same as last year, but wheat sold at 10% to 15% lower, corn at 30% lower, cattle hides from 15% to 20% lower, and raw wool almost 50% below last year's prices.

Not only were prices lower, but the volume of exports this year was generally below that of a year ago. Harvests in Europe were excellent, while in Argentina large areas of sowings were lost through drought, and later rust and other plagues injured the crops in various regions. Production of principal crops in the last two years is shown in Table 58.

Table 58: Production of Principal Crops, Argentina, 1928–1929 and 1929–1930

In thousand tons

	1928–1929	1929–1930	Per Cent Change
Wheat	8,365	3,700	−56
Corn	5,886	6,329	+ 8
Linseed	2,103	1,300	−38
Oats	946	990	+ 5
Barley	340	350	+ 3
Rye	110	110	0

[1] Sources of information: Ernesto Tornquist and Company, Business Conditions in Argentina, Buenos Aires; Commerce Reports; Statesman's Yearbook; U. S. Federal Reserve Board, Federal Reserve Bulletin; The Commercial and Financial Chronicle; U. S. Department of Commerce, Latin American Financial Notes; The New York Times despatches.

[2] The prices in London indicate the purchasing power derived from sales abroad for foreign commodities. Owing to the depreciation of Argentine exchange, exporters obtain more pesos and, therefore, greater purchasing power from domestic goods in return for their products than indicated by the London prices.

The corn crop is estimated at a higher figure than a year ago, but abundant rains hindered thrashing and cartage in the principal corn-producing districts, which will occasion a reduction of the final harvest yield as well as affect the quality and price unfavorably.

TABLE 59: VOLUME OF EXPORTS OF PRINCIPAL PRODUCTS, ARGENTINA, FIRST HALF, 1929 AND 1930

In thousand tons

	1929	1930	Per Cent Change
Corn	2,286	1,490	−35
Wheat	4,037	1,641	−59
Linseed	1,129	687	−39
Meats, frozen and chilled	296	274	− 7
Cattle hides	58	67	+16
Wool	97	93	− 4

The great decline in the volume of principal exports during the first half of this year is shown in Table 59. The value of exports during the same period was 35% lower than in the corresponding period of 1929. Argentina has suffered not only through decreased quantity of exports but also through considerably lower prices of principal export commodities. No statistics of Argentine imports are available, but figures of customs receipts indicate that the reduction in imports was not so great as the decline in exports. During the first six months of this year customs receipts amounted to 153 million paper pesos, or $64.9 million, showing a decline of 16%, as compared with a year ago. The depreciation of Argentine exchange indicates the existence of a surplus of merchandise imports. The excess demand for foreign exchange to pay the import obligations and the oversupply of peso exchange offered resulted in a decline in value of the gold peso, reaching more than 15% in July. Since the total gold guarantee of monetary circulation within the country remained practically unchanged, at a rate of 44 centavos gold, or $0.42, for one peso paper, or a ratio of 83% of nominal value, it may be concluded that the decline in the peso was not due to the internal currency situation.

Railroad receipts for the first half of 1930 were 233 million pesos gold, or $224.8 million, a decline of 14%, as compared

with the corresponding period a year ago. Revenue from the excise taxes on tobacco, alcoholic beverages, cards, and perfumes yielded 55 million pesos paper, or $23.3 million, during the six months, as compared with 61 million pesos paper, or $25.9 million, last year. Commercial bankruptcies for the half year increased in total liabilities from 72 million pesos paper, or $30.6 million, in 1929 to 105 million pesos paper, or $44.6 million, in 1930, or almost 46%.

TABLE 60: VALUE OF EXPORTS, ARGENTINA, FIRST HALF, 1929 AND 1930

In million pesos gold and dollars

Month	1929	1930	Per Cent Change
January	99 ($95.5)	74 ($71.4)	−25.2
February	91 (87.8)	62 (59.8)	−31.9
March	90 (86.8)	54 (52.1)	−40.0
April	89 (85.9)	60 (57.9)	−32.6
May	86 (83.0)	51 (49.2)	−40.7
June	82 (79.1)	48 (46.3)	−41.5
Total	537 ($518.1)	349 ($336.7)	−35.0

On June 15th the President decreed an increase of mortgage cedulas amounting to 50 million pesos paper, or $21.2 million. This increase was the first under the law authorizing the expansion of the total amount issued from 1,500 million pesos paper, or $636.6 million, to 2,000 million pesos paper, or $848.8 million. These cedulas are mortgage bonds issued by the National Mortgage Bank, which was established by the Government in 1886 to make loans on real estate secured by first mortgages on income-producing property. The loans are repaid by a 1% cumulative annual sinking fund, which may be increased by the borrower. The cedulas, or National Mortgage Bank bonds, are not only secured by the mortgages taken, but are also a direct obligation of the bank and are further guaranteed as to principal and interest by the National Government. They have thus proved a very popular investment.

The revolution of September 6, 1930, in which General José Francisco Uriburu overthrew the Irigoyen Government, appears to have been wholly successful. The de facto government has been formally recognized by the United States

and other governments. Business associations were prompt to offer their co-operation with the provisional government. The local banks, advised by the government of its need for 50 million pesos immediately, opened a six-months credit for double that amount, two United States banks subscribing one tenth of the total. The exchange value of the Argentine peso rose from 34.1 cents on September 1 to 36.6 cents a week after the revolution. Bond quotations also rose, the 1922 internal credit bonds rising from 96.70 on September 5 to 98.70 on September 13. Most recent cable despatches from Argentina report a shipment of $5 million gold for service on the government debt under a budgetary law which permits the use of gold held by the Conversion Office for this purpose. While the Conversion Office has been closed since December 16, 1929, and the country has been off the gold standard, this use of the gold reserve, it is expected, will further strengthen the general confidence in the new government.

Brazil[1]

In Brazil the effect of world-wide depression has been aggravated by difficulties of the coffee situation, and economic recovery in Brazil will hinge upon the success of the latest plan adopted for the solution of the coffee problem.

The problem arises from the fact that Brazil's capacity for production is far greater than the world demand for Brazilian coffee. In a comparatively small area, in the region immediately inland from the ports of Santos and Rio de Janeiro, Brazil produces a sufficient quantity of coffee to supply over half of the total world consumption, and thousands of square miles suitable for coffee-growing are yet untouched. There is a constant tendency toward overexpansion which is inevitably followed by declining prices and depressed conditions until production has again readjusted itself to the market demand. Similar experience is quite familiar to other countries in other fields of agricultural production. For Brazil, however, it has been particularly serious, owing to the importance of the commodity in the welfare of the country.

[1] Sources of Information: Wileman's Brazilian Review; Commerce Reports; International Investor; Federal Reserve Bulletin; Monthly Summary of Foreign Commerce; The New York Times despatches.

It represents three quarters of the value of Brazil's total exports, and the sales of coffee to the United States alone pay for Brazil's imports from both the United States and Great Britain, which supply one half of its foreign purchases.

In 1905, after a number of years of heavy coffee crops and ruinously low prices, an act was passed authorizing the government to purchase coffee in order to withhold it from the market until prices would justify its release. Although the scheme, so far as Federal action was concerned, broke down owing to disagreement among the several states concerned, the State of São Paulo, whose interests were paramount, continued by itself in the attempt to stabilize the industry. Accordingly the entire crops of 1906 and 1907 were bought up with proceeds of a loan of $75 million raised in London and New York, the first "coffee valorization" loan. The object was merely to stabilize prices, but the price was probably stabilized at too high a level, or the additional security offered proved an incentive for increased production. Without any restriction upon output, it became necessary by 1909 to form an international syndicate or committee to dispose of the accumulated stores of coffee and retire the bonds.

The second valorization plan was put into effect in 1917, when the loss of the German market brought the coffee industry into difficulties. The Federal Government, with the State of São Paulo, advanced a sum of 150,000 contos in paper, or $36 million at the rate of exchange at that time, to be used in financing the farmer, and to purchase enough coffee to keep prices at a satisfactory level. This time the scheme proved profitable, owing to inflation of prices.

In 1922 an act was passed by the Federal Congress for the "permanent defense of coffee." A fund of 300,000 contos, or $35.9 million, was placed at the disposal of a committee appointed by the President and was to be used to extend credits to farmers, to buy up coffee in order to maintain prices, and to develop propaganda in foreign markets to stimulate consumption of coffee. The funds were obtained by a $45 million loan floated in London and New York.

Thus in one form or another the so-called coffee valorization scheme has been continued since 1905 to the present. In one respect, at least, it is considered to have been successful.

It has prevented the frequency of fluctuations in coffee prices. The root of the evil, however, has remained untouched. The tendency toward overexpansion due to the richness of Brazil's resources, instead of being corrected, has had the added stimulus of an assured market and price level.

The past year has been merely the recurrence of the old experience. Coffee acreage, reported at slightly over 6 million in 1926, had increased to 11.2 million in two years. Brazil accumulated this year over 16.5 million bags of coffee in storage, with a heavy crop coming in, taking into account the young trees that are beginning to bear. Production during the first eleven months of the present crop year amounted to 14.5 million bags, as compared with 12.6 million for the same period the year preceding. The average crop for the last ten years was 11 million bags, of which 9,350,000 have been marketed abroad. Recently the total annual exports have amounted to nearly 14 million bags.

The State of São Paulo is responsible for two thirds of Brazil's coffee production and exports. Negotiations accordingly were set on foot by the State of São Paulo to float another loan abroad. The outcome of these negotiations was a loan for $97,330,000. It was arranged to float $35 million in the United States; £8 million, or $38.9 million, in London; £500,000, or $2.4 million, in Zurich; £500,000, or $24.3 million, each in Amsterdam, Stockholm, and Milan; and the balance in Paris. At the last moment the negotiations with the French banks broke down, and the Banco do Estado de São Paulo took over this share. The terms of this loan deserve most careful analysis, for, if the funds obtained are to be used simply to bolster up coffee prices or to pay the exchange rates for milreis, disaster will be only postponed, instead of avoided.

Of the proceeds of the "São Paulo Coffee Realization Loan," £2 million, or $9.7 million, must be written off to difference in price; £3 million, or $14.6 million, purchased by the Banco do São Paulo represent no addition; and £7 million, or $34 million, is to be used to redeem short-term obligations already incurred to Rothschilds of Amsterdam and Lazard Brothers of New York, thus leaving a net balance of £8 million, or about $39 million, for direct use. Of this sum

$22 million will be applied by the government for the purchase before June 1, 1931, of 3 million bags of coffee; and $13.7 million, to finance advances of one pound sterling per bag on the remainder of the unsold coffee. At the same time the coffee is to be placed on the market at the minimum monthly rate of 1/24 of the combined current year's crop, plus estimated next year crop, plus 137,500 bags of coffee pledged as specific security for the loan—an annual minimum of 10 million bags. No coffee inferior in quality to No. 8 Santos is to be exported from the State.

From the sale of this coffee, it is provided, £2 million, or $9.7 million, is to be applied to bond redemption, and £100,000, or $486,000, to reserve account. A sinking fund is to be established, beginning July 1, 1930, sufficient to repay at least one tenth of the bonds annually, to be applied for redemption semi-annually starting April 1, 1931. Any deficiency in the proceeds is to be made up by the Government. Revenue to be pledged will be derived from a new tax of 3 shillings, $0.73, per bag on all coffee for export from the State of São Paulo. The government may make new advances on coffee from the proceeds of liquidation of pledged coffee in excess of 4,950,000 bags in any year, but it is not to accumulate any coffee during the life of the loan, except in agreement with the Bankers for further security of the loan.

While the new arrangement takes care of the liquidation of the present accumulation of coffee, and the government agrees to refrain from further accumulation during the life of the loan "except in agreement with the Bankers for further security of the loan," nevertheless, like the earlier schemes, there is no specific provision for the control of production. Even taking into account contraction of production due to abandonment of old coffee trees, disorganization of harvests, and destruction of grades below the export standard, it has been estimated that, with the crops coming in from new trees, the visible supply in São Paulo by June 30, 1932, will be no less than 22 million bags.

During the months prior to the loan Brazil suffered extreme depression. Business was at a standstill, and unemployment in the cities serious. Although total exports dur-

ing the first quarter were only 10% below those for the same period in 1929, coffee shipments were 27% lower, and imports from abroad declined by 30%. It was only due to the increased exports of cotton, which amounted to 17,147 metric tons during the quarter, as compared with only 1,136 tons last year, and of meat, wool, and sugar that the situation was not still worse.

Toward the close of April, however, signs of improvement were observable. The demand in wholesale markets was reported as slightly better; import inquiries were increasing; and business failures decreased in number and importance, with the exception of the failure of a large British textile importing house and the Banco Popular of Rio Grande do Sul. The new coffee policy was thought to be superior to any previous plan, and confidence in the future of the industry began to revive.

Subsequent developments, unfortunately, did not come up to expectations. Unemployment increased, and it was strongly urged that immigration should be prohibited until the improvement of general conditions. Gold continued to leave the country, and the coffee planters began a cheap money campaign, pressing for an issue of inconvertible paper currency. Gold holdings of the Stabilization Bureau and the Bank of Brazil together declined from $139 million in January to $80 million in July.

Foreign trade for the first half year was 25% below that of last year; exports were $181 million instead of $222 million, a 19% decline; and imports were $147 million, or 33% below a year ago. The part played by coffee in total exports is shown in Table 61. The decline of nearly $41 million in coffee sales was somewhat offset by the increase in exports of frozen or chilled meat, amounting to about $7 million, of cotton, amounting to over $5 million, and of other products, netting $3.5 million.

The state indebtedness amounts to almost $290 million, or $48 per capita. The external funded debt, including the coffee loan, is $203 million; loans "in effect guaranteed" by the state, $47 million; and the internal funded debt as of December 31, 1929, is $41 million. Interest and sinking fund

charges on the state's funded debt, internal and external, amounted to 22% of the entire state revenues of 1929.

TABLE 61: VALUE OF EXPORTS, BRAZIL, FIRST FIVE MONTHS, 1929 AND 1930

Period	Coffee	Other	Coffee as Per Cent of Total
1930, January	$23,289	$14,702	61
February	22,317	13,005	63
March	18,376	12,699	59
April	18,799	12,058	61
May	16,023	12,296	56
January–May, 1930	98,804	64,760	60
January–May, 1929	139,521	49,242	74

Even if the coffee surplus is successfully disposed of, Brazil may find itself in a position less advantageous than might have been without the valorization policy. By this scheme not only has Brazilian production been stimulated, acreage more than doubled since 1922–1923, but the output of competing sources has also risen. Colombia in particular has benefited from Brazil's policy. Before the War the United States imported nearly 80% of its coffee from Brazil and only 5% from Colombia, now only two thirds come from Brazil and almost a quarter from Colombia.

The economic difficulties of Brazil are reflected in the disturbed political situation. The outcome of the recent revolution may have a vital influence on the economic and fiscal policies of the country.

CHILE[1]

In his message to Congress, when that body convened on May 21, 1930, President Ibanez, referring to the measures in view for the coming session, expressed the confidence that Chile would be able to escape, or at least minimize, the effects of the world crisis. Economies in public expenditures were to be effected "by eliminating or reducing in the Budget of Expenses those items which are not considered strictly

[1] Sources of information: Banco Central de Chile, Monthly Bulletin, Santiago; Commerce Reports; Statesman's Yearbook; Barron's National Financial Weekly; Latin American Financial Notes; The New York Times despatches.

indispensable," to the amount of 50 million pesos, or $6.1 million. Next year a reduction of no less than 10% of the total amount of the budget will be attempted. A decrease in personnel in certain offices had already been effected, and a reorganization of work started with the object of eliminating posts considered unnecessary, thereby avoiding the necessity of reducing salaries of officials who remained in government service. The Plan of Public Works was to be extended for another year and modified in such a way as to reduce the charge upon the ordinary expenses and avoid floatation of loans beyond the capacity of the market.

The most important project mentioned in the presidential message, however, is the plan for the formation of a national nitrate company, the "Compania Salitrera de Chile," popularly known as "Coach." This, according to the President, is to be the final step of the program initiated in 1927 "for the re-establishment of the nitrate industry." In as much as the nitrate industry is perhaps the pivotal factor in Chile's economic prosperity and as the form of organization may be found suitable for other industries facing a similar problem, it will be worth discussing in some detail. The value of nitrate sales abroad usually represents half the value of Chile's total exports and in a sense pays for about 80% of the total imports. Before the War the tax on nitrate exports yielded one half of the entire state revenues. Although nitrate taxes will cover only 14% of the 1930 revenue, the importance of the industry in the welfare of the nation as a whole is still very great.

The law creating the Chilean Nitrate Company, which has already been approved by the industry itself, represented by twenty-eight companies with 91% of the total productive capacity, was passed by Congress on July 21 without serious alteration of any of the essential features of the original bill. It authorized the formation of a stock company for the period of 60 years, with a capital of 3,000 million pesos, or $365 million, in shares of 100 pesos, or $12.17, each. The shareholders of the company are the government and the present shareholders in the existing nitrate companies, half of the shares being turned over to the government in return for certain special privileges. These include the concession

to exploit nitrate fields containing 150 million tons of nitrate. Title or ownership of these grounds, however, remains with the government. The balance of the shares was to be taken up by the present nitrate producers as and when required by the new company.

The administration of the company is entrusted to a directorate composed of 12 members, of which 4 were nominated by the President of the Republic and 8 by the other shareholders.

One of the most important stipulations is the elimination of the actual export duties on nitrate, amounting to about $30 million per annum. In lieu of this revenue, the state is to receive in dividends, guaranteed by the company for the first three years, not less than $22.5 million in 1931, $20 million in 1932, and $17.5 million in 1933. The company has the power, if profits are inadequate, to raise this sum by issuing debentures. After 1933 the government relinquishes priority treatment. As a result of this arrangement, incidentally, the bondholders are given a preferred position. An income tax of 6% is applicable to the profits of the Company, but dividends payable are exempted from all taxation, as well as legal acts or documents which the company may execute or subscribe, transfers of property or rights representing contribution to the social capital, and the nitrate grounds which the state transfers for exploitation.

By placing the entire nitrate industry under a unified, centralized administration, economies in production and rationalization in organization are to be expected. The sixty "oficinas" in operation at the beginning of the year, most of them using the older Shanks process of nitrate refining, will be reduced to a small number of plants with large capacity and modern equipment using the latest Guggenheim process. This process can treat ore of as low as 8% content instead of only ores better than 15% and at a cost three fifths as high as the older process. By the government's direct participation harmony will be possible between the interests of the producers and those of the government. Instead of being a taxing body "with power to destroy," the government will have the same interest as the private owners in increasing industrial profits, the revenue from the export

duties being replaced by the government's share in the dividends.

While it is not anticipated that this reorganization of the nitrate industry can restore to Chile the position formerly held in the world market for nitrogen fertilizers and explosives, the plan will at least make it possible for Chilean nitrate to compete upon a more advantageous footing with synthetic fertilizers without the necessity of sacrificing the revenue to the government.

The production and export of nitrates during the first six months of the current year and 1929 are shown in Table 62. The exceptional decline in the second quarter of 1930 was partly due to changes entailed in the rationalization of the industry, whereby many nitrate oficinas were closed down, leaving only forty operating.

TABLE 62: PRODUCTION AND EXPORTS OF NITRATE, CHILE, FIRST SEVEN MONTHS, 1929 AND 1930

In million tons

	Production			Exports		
	1929	1930	Per Cent Change	1929	1930	Per Cent Change
January	275	278	+ 2	440	235	−47
February	255	234	− 8	269	169	−37
March	279	244	−13	286	188	−34
April	271	205	−24	218	79	−64
May	277	215	−22	150	75	−66
June	262	206	−21	145	64	−56
July	272	199	−27	209	137	−34
Total	1,891	1,581	−16	1,817	947	−48

The prospect of the re-establishment of the nitrate industry through the proposed consolidation together with the government's economy program was reflected in May in an appreciable improvement in the tone of business in general. Nevertheless, it is to be remembered that the establishment of the Chilean Nitrate Company does not by any means clear up the nitrate situation. It will not restore the monopoly control of the nitrogen market held by Chile before the War. Today, Chile's sodium nitrates find a market only in competition with the synthetic compounds produced by industries maintained for the purpose of national safety.

Indeed, Europe is no longer under any necessity, it is claimed, of importing nitrate from Chile; and the United States in a few years may also be potentially independent, although the projected improvements in Chile's industry may retard the rate of development of its fixation industry.

The excess of the production of nitrogen over consumption is estimated for the present year at not less than 300,000 tons, without including stock carried over from past years. Only by reduction of output effected through international agreement can a balance be reached between supply and demand. This is being attempted by the European nitrogen producers' association, which Chile has joined. While this association in Europe may prevent a price war, it is not likely to result in increased Chilean exports to that market. The United States remains outside the association, an open market for European and Chilean nitrates alike, but its synthetic industry expresses confidence in being able to meet the more intense competition. The capacity of the synthetic nitrogen plants in the United States has more than quadrupled during the years 1926 to 1929, and production has increased from 14,000 tons to 84,000 tons. With heavy fixed capital investment increased output will be at decreasing cost. Foreign nitrogen exporters will meet serious competition in the United States market. In short, in so far as Chile's economic situation hinges on the solution of the nitrate problem, it is still in a condition of uncertainty, an improvement over the outlook last year, but not yet definitely stabilized.

TABLE 63: COPPER PRODUCTION, CHILE, FIRST SEVEN MONTHS, 1929 AND 1930

In tons

Month	Production	
	1929	1930
January	27,529	17,447
February	22,259	15,302
March	31,757	15,601
April	31,355	15,669
May	27,857	15,459
June	24,848	16,557
July	23,698	16,688

Table 64: Foreign Trade, Chile, First Seven Months, 1929 and 1930

In million pesos and dollars

Month	Exports			Imports		
	1929	1930	Per Cent Change	1929	1930	Per Cent Change
January	258 ($31.4)	135 ($16.4)	−47.8	132 ($16.1)	148 ($18.0)	+11.8
February	184 (22.4)	128 (15.6)	−30.4	102 (12.4)	115 (14.0)	+12.9
March	243 (29.6)	138 (16.8)	−43.2	131 (15.9)	133 (16.2)	+1.9
April	243 (29.6)	105 (12.8)	−56.8	138 (16.8)	117 (14.2)	−15.5
May	191 (23.2)	103 (12.5)	−46.1	118 (14.4)	113 (13.8)	−4.2
June	178 (21.7)	103 (12.5)	−32.1	122 (14.8)	109 (13.3)	−10.1
July	171 (20.8)	105 (12.8)	−38.5	127 (15.5)	125 (15.2)	−1.9
Total	1,468 ($178.7)	817 ($99.4)	−44.3	870($105.9)	860($104.7)	−1.1

The copper industry, providing Chile with its second most important export product, is in a position similar to that of sodium nitrates. Table 63 shows the quantity of copper produced in Chile during the first seven months of 1929 and 1930 and indicates the great decline in activity of the industry. The precipitous fall in the price of copper in the United States from 18 cents a pound in March, 1930, to 10.75 cents in September, the lowest level in thirty years, has greatly reduced the income of the industry.

Fortunately, the workers released by the nitrate and copper industries found ready employment in building and public improvement works. There is no unemployment in Chile comparable to that in the United States, England, or Germany, and wages have actually been higher than last year.

In certain lines industrial activity has been well maintained. Cloth factories have been active, with a demand greater than the producing capacity. Paper manufacture, which has been increasing from year to year, has maintained a high level of output. Production of footwear continued at a high rate, although orders were not coming in as rapidly in June. While in Iquique and Antofagasta retail firms have been in a very bad situation and in Concepçion and Valdivia the position was uncertain, in Santiago commercial activity has been higher than in recent years.

Imports have scarcely been affected at all by the 44% decline in exports. This has resulted in a reversal of the normal excess balance of exports. In spite of this, exchange rates for pesos have remained practically at par. The balance of payments has been maintained by a reduction, perhaps, of "invisible" items, such as dividend payments, on the so-called debit side, and by the floatation of a loan in New York for $25 million in April, 1930.

Colombia[1]

In February, 1930, Dr. Enrique Olaya Herrera, formerly Colombian Minister to the United States, was elected Presi-

[1] Sources of information: Banco de la Republica, Revista del Banco de la Republica, Bogotà; Commerce Reports; Monthly Summary of Foreign Commerce; U. S. Bureau of Foreign and Domestic Commerce, Monthly Foreign Petroleum Statistics; New York Times despatches.

dent of Colombia. The new administration assumed office on August 7 and was faced by a serious fiscal situation brought upon the country by overborrowing, inflation, and the failure of Congress in 1929 to pass the appropriation bill for 1930. The deficit on December 31, 1929, amounted to 17.5 million pesos, or $17.0 million. The executive budget, with estimated expenditures at 53 million pesos, or $51.6 million, and revenues at 62 million pesos, or $60.3 million, indicated a surplus that would have reduced the deficit by one half. This surplus, however, did not materialize, owing to the decline in imports and consequently in customs revenues, which normally comprise over 50% of the total government income. Government revenues for the first six months of 1930 amounted to 24.5 million pesos, or $23.8 million, as compared with 38.8 million pesos, or $37.8 million, during the corresponding period of 1929. Early in the year the Finance Minister reported that current expenditures were exceeding revenues and urged the necessity of calling a special session of Congress to pass the requisite measures for economy. The President's opposition to this step resulted in the resignation of the Finance Minister and of the other cabinet members. The appointment by the outgoing administration of a new coalition cabinet on April 12 afforded little expectation of any real improvement in the fiscal situation within the time that remained.

In the meanwhile, however, the President-elect proceeded to the United States to confer with bankers and financial experts regarding ways and means of restoring the Republic to a sound financial position. Professor Kemmerer, whose recommendations had been embodied in the fiscal and banking legislation of Colombia in 1923, was invited to study the present situation and propose measures for relief. The Kemmerer Financial Mission arrived in August, 1930, and Congress has under consideration a series of measures the most important of which are the reduction of government expenditures to 45 million pesos, or $43.8 million, and the floatation of a $30 million short-term loan.

Fortunately for Colombia, while imports have been probably cut in half, exports have increased over last year, resulting in an export balance for the first half year of over $40

million. Complete trade figures are not available, but statistics of trade between Colombia and the United States, which normally supplies more than half the imports and takes 85% of the exports, show that during the first seven months of 1930 Colombian exports were $61.9 million and imports $15.3 million, as compared with $60.3 million and $32.9 million in the corresponding period of 1929.

The major export of Colombia is coffee, comprising about three quarters of the total value of exports. It is milder and richer than Brazilian coffee and commands a higher price. The demand for the distinctive Colombian coffee seems to have remained largely unaffected by the situation in Brazil. Colombia's sales to the United States, which usually represent 90% of its total coffee exports, increased 23% in quantity during the seven months of 1930 as compared with the same period in 1929, while imports of Brazilian coffee increased only 9%. Although Colombian coffee has been depressed in price, the average United States import price for the period was only 19% below that of last year, as compared with a 45% decline in Brazilian coffee prices. Colombian statistics of the movement of coffee to ports of exportation during this period are shown in Table 65.

TABLE 65: MOVEMENT OF COFFEE TO PORTS, COLOMBIA, FIRST SEVEN MONTHS, 1929 AND 1930

In bags

Month	1929	1930	Per Cent Change
January	254,621	316,590	+24
February	186,992	279,221	+49
March	204,589	232,244	+14
April	215,573	237,196	+10
May	273,640	381,884	+40
June	255,858	324,876	+27
July	244,181	304,185	+25
Total	1,635,454	2,076,196	+27

Petroleum exports increased from 9 million barrels during the first half of 1929 to 9.7 million barrels during the corresponding period this year. Prices were slightly higher. Three quarters or more of the exports go to the United States, and a sixth to Canada. Among the important measures to

come before the National Legislature, one that will be viewed with keen interest by other countries is a new bill for a general petroleum law.

Internal trade is dull, and credit restricted. Bank clearings for July, 1930, totalled only 30 million pesos, or $29.2 million, about 27 million pesos, or $26.3 million, below July of last year. Circulation of notes of the Banco de la Republica has averaged about three fifths that of last year, as shown in Table 66.

TABLE 66: CIRCULATION OF NOTES AND GOLD RESERVES OF THE BANCO DE LA REPUBLICA, COLOMBIA, FIRST SEVEN MONTHS, 1929 AND 1930

In million pesos and dollars

Date	Circulation		Gold Reserves	
	1929	1930	1929	1930
January 31	51.8 ($50.4)	34.2 ($33.3)	61.4 ($59.8)	32.2 ($31.3)
February 28	51.4 (50.0)	33.2 (32.4)	59.5 (57.9)	30.8 (30.0)
March 31	51.1 (49.7)	31.6 (30.7)	51.9 (50.6)	30.4 (29.6)
April 20	48.3 (47.0)	30.1 (29.3)	51.7 (50.4)	30.0 (29.2)
May 31	47.8 (46.5)	30.7 (29.9)	55.2 (53.7)	31.2 (30.4)
June 30	48.7 (47.4)	30.8 (30.0)	55.3 (53.8)	31.1 (30.3)
July 31	45.5 (44.2)	28.4 (27.6)	55.4 (53.8)	29.1 (28.3)

Colombia appears determined to put its affairs in order. Although this may not be possible without external assistance, which will further increase the burden of indebtedness, the constructive work that has been accomplished in recent years and the abundance of national resources will, it is hoped, make possible an early and rapid recovery.

AUSTRALIA[1]

Australia, so remote from the rest of the world, has not escaped the world depression. Indeed, it appears to have been in worse case than some of the other countries, owing to an orgy of foreign borrowing in recent years which has piled up a burden of interest payments out of all proportion to national income. Industry has been depressed. Boot

[1] Sources of information: Commerce Reports; The Board of Trade Journal: U. S. Department of Commerce, Far Eastern Financial Notes; The Economist; The Statist; Commerce and Finance; Quarterly Summary of Australian Statistics; New York Times despatches.

and shoe manufacture is 30% to 40% below normal; tire production off 20% to 25%; paints and chemicals, quiet in all lines; and lumber trade, dull, owing to contraction of building to less than 40% of the level prevailing last year; retail trade stagnant, except in one or two lines such as radio; collections more difficult; unemployment increasing from month to month, reaching 18.5% for the second quarter of the calendar year.

To relieve this situation is a problem the solution of which is now taxing Australia's best statesmen. Victoria and Queensland proposed the imposition of a supertax to help the unemployed; relief works to be financed by new taxation on wages were planned; and the Federal Ministry has announced its intention to grant £1 million, or $4.9 million, in the next financial year for this purpose. In order to restore industry, an emergency tariff measure was passed which increased duties on practically all commodities imported and prohibited importation of some.

Unfortunately, however, the efforts of the governments, both Federal and State, are restricted by the condition of their finances. According to the announcement of the Loan Council, accounts for the fiscal year ending June 30 for the Commonwealth and State Governments will show an aggregate deficit of approximately £9 million, or $43.7 million. The Australian Federal budget report revealed a deficit of £1,470,000, or $7.1 million, for the fiscal year and an accumulated deficit of £6,458,000, or $31.4 million, and estimated that for the coming year the deficit would exceed £14 million, or $68.0 million.

Resort to foreign loans to tide over the difficulties was hardly to be considered. The public debt of the Commonwealth and States as of March, 1930, was already over £1,000 million, equivalent to about $850 per capita, with annual interest payments abroad of about £28 million, or $21 per capita, and about the same amount at home. Australia had already exhausted its foreign balances and overdrawn its account by £28 million payable on demand, and could not hope to obtain more at interest rates, in the words of the Treasurer, "that any decent or reputable nation would agree to pay." To make the situation more difficult

still, Australian money, owing to the abnormal excess balance of merchandise imports, has been at a decided discount in the foreign exchange market. The import balance of trade had increased to such an extent that the banks reported that funds for payment of purchases abroad could not be transmitted owing to absence of foreign exchange bills. The banks were obliged to adopt a procedure of "rationing" exchange, and for payment of foreign obligations on government account heavy shipments of gold had to be made during the financial year, totalling about £27 million, or $131.2 million. The point was reached where further gold exports would have had to be drawn from the reserve held against note issue. In order to meet government obligations in London, arrangements were made to have the trading banks pool their external exchange and give the Commonwealth and State Governments first call on their funds.

With exports consisting chiefly of agricultural and pastoral products—wool alone representing 40% to 45%; wheat and flour, 15% to 20%; and butter, meats, and other animal foodstuffs, over 10%—the decline in prices for these commodities in the world market, as well as a lower volume of Australia's sales, resulted in a reduction in value of exports from £78 million, or $379 million, during the first seven months of the preceding year to £53 million, or $258 million, during the same period this year. Australia's imports, although consisting very largely of articles of finished manufacture, are chiefly for the urban population, which represents 62% of the total. While exports during the first seven months of this year were 32% lower than last year, imports declined 24%, from £82 million, or $399 million, to £62 million, or $301 million.

Instead of increased foreign borrowing, the Loan Council was obliged to announce a reduction of loan expenditures by about 50%, from £44 million in 1928–1929 to £24 million for the fiscal year 1929–1930 and to £15 million for 1930–1931. Loans falling due during the year are to be taken up by conversion loans floated locally. To meet the £10 million, or $48.6 million, loan maturing March 15, 1930, a 6% conversion loan was issued locally and oversubscribed, thanks to an abundance of funds in the hands of private

individuals and corporations. The extra £3 million is to be applied to redemption of another loan of about £60 million, or $291.6 million, maturing in December, 1930. On June 28, 1930, a 6% Commonwealth loan of £10 million, or $48.6 million, was opened for local subscription.

Increased taxation in some form, according to the announcement of the Federal Ministry, will be needed to balance this year's expenditures. The Premier's budget, introduced July 9, calls for still further increases in customs duties, as well as a sales tax on many articles sold in Australia, and an increase in the income tax. Whether with reduced imports owing to the increased tariff rates the actual yield of revenue will be as great as anticipated, and whether the protection to domestic production will restore industrial activity and afford higher revenues from internal taxation, are questions only to be answered by the events. A sales tax of 2.5% was put into effect on August 1, applying to all imported goods sold for consumption in Australia and on all goods produced or manufactured in Australia other than sales of certain specified products, mostly foodstuffs, sales made by primary producers, and sales of goods for export. It is estimated that the new taxes will yield £13 million, or $63.2 million, additional revenue.

Meanwhile, various measures of economy are being introduced. A conference of representatives of the State and Federal Governments reached an agreement on August 20 on the following proposals:

1. The State Governments must balance their current budgets and maintain balanced budgets in the future.
2. The Federal Loan Council shall not raise further overseas loans until the existing short-term indebtedness is completely dealt with.
3. Approval shall not be given to expenditure for unproductive public works.
4. In order to secure regular interest on the public debt from revenue, all interest payments shall be made to a special account in the Commonwealth Bank.
5. The Federal and State Treasurers shall publish monthly in Australia and overseas a uniform sum-

mary of budget and revenue expenditure, the position of all short-term debts, and a statement of loan amounts.

6. The abolition of the State Governors from England, whose duties would be performed by the Governor-General.
7. The elimination of all duplicated State and Federal services.
8. The abolition of the Federal Marketing Board, a step which it is estimated would save $2.5 million a year.
9. The abolition of the six state agents general in London, whose activities would be transferred to the High Commissioner, thus saving $750,000 a year.
10. The co-ordination of the Federal and the State statistical departments.
11. The reorganization of the Federal and the State health and many other departments.

The Conference agreed to make a special grant of $5 million to the State of South Australia, as it was held that without such a loan the solvency of that state would be gravely imperilled.

Most of these are emergency measures and cannot be expected to do more than give Australia time to grapple seriously with its problem. Its ambitions for self-development must be brought more closely in line with its immediate capabilities. The report of Sir Otto Niemeyer, of the Bank of England, who has been investigating the position of the country, tactfully points out the fundamental decision which Australia must make. For a long time to come the country must remain dependent for prosperity upon the primary producer. Too great haste in promoting manufactures increases the costs of the primary producer and reduces his contribution to the welfare of the country more than the domestic manufacturer can add to it. The final measures taken by Australia, it is felt, must recognize these facts in order to extricate the country from the present difficulties.

China[1]

In reviewing the economic conditions of China since the beginning of the year, one finds a repetition of the same story of inactivity and depression as in the other countries of the world, but with a different explanation. Retail business has been dull, industries have been curtailed, construction slackened, exports reduced, and imports bought only to supply immediate requirements. The instability of exchange rates has discouraged foreign trade, and stocks of imported goods have been selling at less than replacement cost. The reports vary according to the section of the country and have fluctuated from month to month, but their general tenor has been much the same. China's difficulties are traceable not only to world depression but also to internal disorders and the declining price of silver.

The price of silver is, to most countries, a matter of minor importance. Silver is merely a commodity. The silver contained in a United States silver dollar does not determine the purchasing power of the dollar, for it is worth less than 33 cents. For a country which bases its money upon silver, on the other hand, the value of silver is a matter of very great importance, because a fall in value of the metal means a fall in the amount of goods the money can buy and is equivalent to a general rise in commodity prices. While buying and selling within the country may be comparatively undisturbed, foreign goods can be bought only at a sacrifice, and the burden of fixed obligations payable abroad is increased.

China, Persia, and Abyssinia alone of the important countries still use silver for their monetary standard. All three are taking steps to go on a gold basis. India uses a silver currency, but in 1927 adopted the recommendation of the Royal Commission on Indian Currency and Finance to stabilize the silver rupee at a rate corresponding to an exchange rate of 1s. 6d. gold, or $0.36. It was largely as a result of this act that China has suffered, for the Indian Government in order to maintain this "pegged" exchange rate has been obliged to sell silver in the world market, net imports

[1] Sources of information: Commerce Reports; American Bankers Journal; The Annalist; Barron's National Financial Weekly; Far Eastern Financial Notes; Samuel Montague & Company, London; New York Times despatches.

being reduced by half. As India normally used to absorb about 50% of the total annual silver production, the result has been in effect a 25% increase in the quantity of silver which had to be absorbed by other countries. The price of silver fell from 68⅝ cents an ounce in 1926 to about 32 cents in August of this year. The decline has been exaggerated because of the inelasticity of production. Three quarters of the output of silver is a by-product of production of other metals and determined accordingly by the demand for, and output of, other metals rather than by the requirements for silver. Thus world production has been but slightly affected by the price situation. The output of silver by the principal producing countries, except Mexico, during the first four months of this year, was 37.2 million ounces, as against 38.1 million ounces for the same period last year.

China, the largest customer for silver after India, became the recipient of most of India's excess supply, taking two fifths of the world's annual output, and has been the chief sufferer from the low price of silver. Although the government has declared its intention of adopting the gold standard in accordance with the recommendations of the Kemmerer Commission and has already established a new gold unit, the Sun, equivalent to 40 cents as a basis for collection of customs, it is not probable that the measure can be successful, until the country is brought under effective control and the ten mints now operating independently are dismantled. At first, after India began to sell its surplus stock of silver, the establishment of the Central Bank of China called for large reserves, and the centralization of coinage absorbed about 90 million ounces during 1928 for minting operations alone; but, after these needs had been met, silver still continued to pour in. In Table 67 are shown the stocks in Shanghai,

TABLE 67: STOCKS AND PRICES OF SILVER, SHANGHAI, 1926–1930

	Stocks	Price per Ounce
January 1, 1926	101,344,000 ounces	68⅝ cents
" " 1927	125,948,000 "	54 "
" " 1928	107,900,000 "	57⅝ "
" " 1929	147,195,000 "	57⅛ "
" " 1930	192,388,000 "	46⅞ "
May 19, 1930	235,000,000 "	40⅝ "
June 26, 1930	298,000,000 "	31 "

normally 100 million ounces, and prices of silver on January 1 of each year since 1926 and on May 19 and June 26, 1930.

With its buying power abroad reduced, it is not surprising that China's import trade has been slack. Furthermore, the greater part of government revenues, after providing for military expenditures, goes to service on foreign debts. The depressed price of silver has greatly increased the money burden represented by foreign debts, leaving insufficient funds for the other government expenses. The banks with heavy gold exchange commitments have been obliged to suspend payments.

It was hoped that the prohibition by the Nationalist Government of importation of silver coin into China and of the export of gold in bars would have a firming effect upon silver prices, but the regulation affects little more than the influx of Saigong dollars from Indo-China, which has also decided to go on a gold basis. The major imports of silver enter China in the form of bars.

The silver situation, however, is not the major factor of China's business depression. Internal disorder is sufficient to discourage normal trade. Out of the political confusion nothing whatever seems to eventuate. The disturbances are exhausting the country and proving a heavy drain upon the resources of large areas through taxation and destruction of warfare.

The Nationalist Government, representing broadly the Kuomintang or Nationalist party, was established to restore the unity of China in 1928 with its capital at Nanking on the Yangtse River several miles from Shanghai and about half way between Peking or Peiping in the North and Canton in the South. Although this is the recognized government of China, there had been by May, 1930, no less than nine separate rebellions during its brief existence. Its real authority extended little more than a hundred miles from the capital city. The country toward the north in the Yellow River valley has been controlled by two generals, General Yen Hsi-shan and Marshal Feng Yu-hsiang, in league against the Nationalist Government. Manchuria has been outside of the field of disturbance, except for the quarrel last year with Russia over the Chinese Eastern Railway. Japan

has announced that civil war will not be tolerated in the zone of the Japanese-owned South Manchuria Railway. Although Manchuria is nominally under the Nanking régime, it is virtually independent, and its ruler, Marshal Chang Hsueh-liang, has been reported as occasionally giving assistance to the rebellious factions. In the section of China south of the capital city Canton is nominally loyal to Nanking, but beyond a short radius of a hundred miles or so Canton's authority ceases. Outside of this area the "Kwangsi clique" and General Chang Fa-Kwei, known as "The Ironsides," have been making common cause against Nanking. Brigand and communist bands, roaming the inland provinces of Hupeh, Kiangsi, and Hunan and gaining in numbers and strength from month to month, have consolidated into armies and, under orders from the Third International to attack and "take Changsha at all costs," have become a formidable menace to the government. Smaller bands less well organized are operating in Central and South China.

Latest advices report the intervention by Chang Hsueh-liang, the Manchurian Governor, in the Province of Chihli, his occupation of Tientsin and Peking, and his appointment by the Nanking Government as "Rehabilitation Commissioner for the North." The Kuomintang has re-opened its offices, which Yen Hsi-shan had closed, and a deputy nominated by Nanking has resumed the charge of the Customs at Tientsin. General Feng is in retreat, and General Yen has withdrawn his forces to Shansi.

Although Nanking hails Chang's coup as a Nationalist triumph, there is still doubt regarding his real motives and objective. There are rumors of connivance with the rebel generals. One thing is certain, that no substantial alleviation in the general economic situation can be expected until the military situation ceases to be a menace to central authority. This, however, is an exceedingly difficult task in view of the enormous size of the country and the lack of transportation and communication facilities.

Nevertheless, in the meanwhile, measures for economic and industrial development of China are not being neglected. The third plenary session of the Central Executive and Super-

visory Committee proposed three reforms, and the conference of bankers and financiers is planned for the immediate future to consider these problems:

> First, the ministry of finance and ministry of industry, commerce, and labor are to be instructed to prepare for the opening of an international exchange bank, the unification of the currency system, the expansion of shipping and promotion of the manufactures, and consumption of native goods.
>
> Second, the ministry of finance is to be instructed to formulate definite measures for the creation of government monopolies for tobacco, wine, and matches, in accordance with a proposal of Chu Chi-hua, provisional minister of civil affairs of Chekiang.
>
> Third, the ministry of industry, commerce, and labor and the ministry of finance are to be instructed jointly to designate security for the issue of a $200 million public loan for the promotion of various industrial enterprises and to prepare for the development of the country's major industries.

Until China's internal difficulties are settled, however, these measures are not likely to be very successful. Stability is the first essential before serious economic reform can be undertaken.

India[1]

The business depression in India during the period under review has been due, as in China, primarily to internal conditions rather than to the influence of the depression in other parts of the world. The nationalist parties, following their plan announced in December, 1928, resumed the policy of "mass civil disobedience" adopted by Gandhi in the "No-Cooperation Crusade" of 1920–1922, in order to obtain immediately full self-government on the basis of dominion status within the Empire. On March 12, 1930, Gandhi began his march from Ahmedabad to the Arabian Sea, opening the campaign of organized disobedience with raids on the salt depots.

With the boycott in force against British and other foreign goods and the tribesmen on the northern frontiers taking advantage of the British preoccupation in the Gandhi cam-

[1] Sources of information: The Board of Trade Journal; Commerce Reports; Governmental Central Press, Labor Gazette, Bombay; H. M. Stationery Office, "Report of the Indian Statutory Commission," London; Far Eastern Financial Notes; New York Times despatches.

Table 68: Foreign Trade, India, First Half, 1929 and 1930

In million rupees and dollars

	Exports			Imports		
	1929	1930	Per Cent Change	1929	1930	Per Cent Change
January	297.5 ($108.4)	264.7 ($96.1)	−11.3	258.6 ($94.3)	229.4 ($83.3)	−11.7
February	279.2 (101.5)	243.7 (88.2)	−13.1	198.3 (72.1)	173.2 (62.7)	−13.0
March	313.6 (114.0)	274.3 (99.1)	−13.1	222.5 (80.9)	208.2 (75.2)	−7.0
April	273.7 (99.4)	240.5 (86.9)	−12.6	244.4 (88.7)	181.0 (65.4)	−26.3
May	257.3 (93.1)	214.4 (77.3)	−17.0	212.3 (76.8)	179.1 (64.6)	−15.9
June	261.1 (94.1)	201.4 (72.5)	−23.0	165.2 (59.5)	138.7 (49.9)	−16.1
Total	1,682.4 ($610.5)	1,439.0 ($520.1)	−14.8	1,301.3 ($472.3)	1,109.6 ($401.1)	−15.1

paign by threatening to loot and pillage, it is remarkable that trade has not been more completely paralyzed than it appears to have been. The effects of the boycott, however, will not be fully shown until statistics for the third quarter are available. Bazaar trade has gone from bad to worse, the depression spreading from Bombay to other parts of India; money has been scarce, and collections difficult. Foreign trade during the first six months of the year, however, fell only to about 85% of the trade during this period in 1929.

On the other hand, the movement for independence appeared at first to stimulate rather than check local production, at least, so far as may be judged from statistics of textile manufacture. In the Bombay Presidency, which produces 50% or more of the output of India, output of cotton yarn and of woven goods during the first half year increased about 20% in comparison with the production during the same months in 1929. In September, however, it was reported that in Bombay twenty-two mills were closed and 40,000 workers unemployed.

TABLE 69: PRODUCTION OF COTTON YARN AND WOVEN GOODS IN THE BOMBAY PRESIDENCY, INDIA, FIRST HALF, 1929 AND 1930

In pounds

	Yarns		Woven Goods	
	1929	1930	1929	1930
January	45,359	46,942	37,004	36,601
February	34,547	41,042	28,211	32,859
March	38,687	39,344	30,611	33,468
April	39,449	41,953	31,207	33,210
May	24,597	42,323	21,410	33,457
June	26,830	42,988	22,846	33,828
Total	209,469	254,592	171,289	203,423

The Report of the Royal Statutory Commission, popularly known as the Simon Report, was published in June, Part I containing a survey "of the working of the system of government, the growth of education, and the development of representative institutions" and Part II presenting conclusions and recommendations. The Commission was ap-

pointed in 1927 in pursuance of the British policy, formulated in 1919, to provide for "the increasing association of Indians in every branch of the administration and the general development of self-governing institutions with a view to the progressive realization of responsible government in British India as an integral part of the British Empire."

Although the work of the Commission has occupied the greater part of three years and the conclusions had been reached before the nationalist demonstrations occurred, the bearing of the report upon the immediate problem is direct. Little or no satisfaction is given to the extreme nationalists demanding political independence. The diversities of race, creed, and caste of the great population of India, the predominance of the rural population, over 70% of the total, the high percentage of illiteracy, the complication of the existing Indian States, the standing menace of the northwest frontier, the need of a strong central government to control inflammable elements in the population and to mobilize support from time to time for sections of country in danger of famine or pestilence, which periodically afflict it —all these are weighty considerations that preclude the immediate realization of the nationalist demands. On the other hand, it is the opinion of the Commission that the social and economic evils from which India is suffering can only be remedied by action of the Indian people themselves and that they are much less likely to be remedied if the blame for their continuance can be put, however unreasonably, on others.

The report establishes a basis for further deliberation. Confidence in the outcome is indicated by the successful floatation of a new Indian loan in London for £7 million, or $34.0 million, bonds maturing in 1933 to 1935 at 6%. Selling at 99, the bonds were heavily oversubscribed.

The United States

During the first nine months of this year industrial and commercial activity has on the whole been at a very low level. Expectations of a prompt recovery, based on the apparent soundness of industry and finance, which were

prevalent in the early part of the year, have not been fulfilled. There was, indeed, some rebound in security prices, but the upturn in general business that occurred in April was less than seasonal and below normal, as measured by the natural year-to-year growth of business. The impetus died out in May, and the seasonal summer slackness carried the decline still further. The end of the summer brought some improvements in the business situation, but there were no positive indications that a general business revival was in progress.[1]

TABLE 70: GENERAL BUSINESS FACTORS, UNITED STATES, FIRST SEVEN MONTHS OF 1930, COMPARED WITH CORRESPONDING PERIODS OF 1928 AND 1929

Factors	Per Cent Change from			
	January–July, 1928		January–July, 1929	
	Increase	Decrease	Increase	Decrease
Manufacturing production	..	6.2	..	15.9
Mineral production	0	0	..	10.2
Farm prices	..	11.2	..	8.6
Wholesale prices—non-agricultural	..	6.5	..	6.5
Department store sales	..	2.3	..	4.7
Building contracts awarded—37 states	..	25.4	..	18.1
Car loadings, weekly average	..	5.6	..	9.9
Failures, liabilities	34.1	..	42.5	..
U. S. Steel Corporation, unfilled orders	8.8	..	0.6	..
Electric power, industrial use	..	1.7	..	12.7
Factory employment, N. I. C. B.	..	0.6	..	10.9
Factory employment, Fed. Res. Bd.	..	5.4	..	9.9
Factory employment, U. S. Labor Statistics	..	5.5	..	10.5
Factory payrolls " " "	..	7.0	..	14.6
Bank debits to individual accounts in 141 centers, 2d week of month	..	8.6	..	20.4

Abundant figures can be produced to show the magnitude of the decline of industrial and commercial activity. Tables 70 to 73 present convincing evidence that the decline has been very pronounced and widespread. It is much more difficult, however, to explain the reasons for the great reaction from the high level of activity in the early part of 1929, and it is practically impossible on the basis of available information to reach a definite conclusion concerning the extent to which

[1] Reports of the Conference of Statisticians in Industry, under the auspices of the National Industrial Conference Board, issued monthly as Supplement to the Conference Board Bulletin.

the process of liquidation has run its course or to venture an opinion as to when the upward movement will set in.[1] It is

TABLE 71: SPECIAL BUSINESS FACTORS, UNITED STATES, FIRST SEVEN MONTHS OF 1930, COMPARED WITH CORRESPONDING PERIODS OF 1928 AND 1929

Factors	Per Cent Change from			
	January–July, 1928		January–July, 1929	
	Increase	Decrease	Increase	Decrease
Automobiles, U. S. production	..	4.3	..	33.4
Rubber consumed by tire manufacturers	..	5.8	..	23.9
Petroleum, daily average production	6.4	..	..	6.4
Pig iron, daily average production	..	2.7	..	17.7
Steel ingots, approximate daily production	..	6.4	..	21.0
Machine tools, gross orders, actual	..	28.4	..	48.5
Railway locomotives, unfilled orders end of month	124.8	..	1.2	..
Copper, refined, production	..	1.0	..	19.1
Portland cement, production	..	1.7	0.6	..
Standard cotton cloth, production	..	16.8	..	15.9
Cotton, consumption	..	11.1	..	21.8
Wool, consumption	..	15.3	..	24.7
Shoes, production	..	7.2	..	10.0
Coal, bituminous production	..	3.5	..	10.9
Coal, anthracite production	..	3.4	..	5.8
Merchandise exports	..	15.0	..	22.6
Merchandise imports	..	18.6	..	25.9

TABLE 72: INDUSTRIAL PRODUCTION, UNITED STATES, FIRST EIGHT MONTHS, 1929 AND 1930

Source: United States Department of Commerce

Commodity	Production in First Eight Months		Per Cent Change
	1929	1930	
Bituminous coal	338,542,000 short tons	301,010,000 short tons	−11.1
Anthracite coal	47,597,000 " "	45,640,000 " "	− 4.1
Coke, by-product	35,951,000 " "	32,467,000 " "	− 9.7
Crude petroleum	671,730,000 barrels	616,724,000 barrels	− 8.2
Gasoline, raw	283,305,000 "	299,222,000 "	+ 5.6
Copper, mines	693,520 short tons	476,709 short tons	−31.3
Copper, smelter	804,676 " "	593,263 " "	−26.3
Lead, domestic, refined	477,540 " "	424,280 " "	−11.2
Pig iron	29,182,000 long tons	23,425,000 long tons	−19.7
Steel ingots	38,826,000 " "	29,821,000 " "	−23.2
Steel castings	910,833 short tons	781,644 short tons	−14.2
Structural steel, new orders	2,633,400 " "	2,040,000 " "	−22.5
Automobiles, total	4,224,911 cars	2,704,957 cars	−36.0
Passenger	3,629,021 "	2,304,502 "	−36.5
Taxicabs	12,727 "	5,013 "	−60.6
Trucks	583,163 "	395,442 "	−32.2

[1] "The Current Business Depression," The Conference Board Bulletin, No. 45, September 25, 1930.

becoming more and more obvious that the current depression is not largely "psychological," but is due to a rather serious lack of adjustment in certain branches of production, distribution, and finance.

TABLE 73: AGRICULTURAL PRODUCTION, UNITED STATES, 1928–1929 AND 1929–1930

Source: United States Department of Agriculture

In million bushels

Crop	Production in 1929	September 1, 1930 Estimate of Production
Wheat	806	838
Corn	2,614	1,983
Oats	1,234	1,391
Barley	304	323
Potatoes, white	360	339

The great decline in the prices of important foodstuffs and raw materials indicates that consumption has not kept pace with production. The depressed condition of agriculture, which has existed for a number of years, has been intensified by the fall in prices and by the recent drought in the Mississippi Valley, which has seriously affected the corn crop. The unfavorable position of agriculture is due to large increase in the total world area sown to crops brought about by the abnormally high prices prevailing during the War. The solution obviously lies either in an increase in demand, through the development of greater purchasing power in the countries that require large quantities of foodstuffs but cannot afford to buy them, or in reduced acreage and lower production. The difficulties of American farmers affect a large number of other industries through the reduced purchasing power of an important section of the consuming population. The building industry and the manufacturers of farm implements and automobiles, and through them the iron and steel industry, are particularly likely to feel the effects of an unfavorable agricultural situation. Overproduction of industrial raw materials is more easily corrected than that of farm products, for the former are not subject to climatic influences, and the sources of supply are confined to a limited number of countries. Adjustment of production to actual demand can, therefore, be accom-

plished with greater ease, although not without disturbing effects on industrial employment and profits.

Of fundamental importance for the entire national economy is the slackening of building activity, which showed itself long before the slowing up of industry in the early summer of 1929 or the stock market crash in the autumn of that year and has now continued for almost a year and a half. The value of building contracts awarded in 1929 was the lowest since 1924, while during the first seven months of this year the value of contracts was 18.1% lower than in the corresponding period of 1929 and 25.4% below the same period of 1928, which represented the peak of post-war building construction. The decline has been particularly marked in residential building construction, which fell off 48.0%, as compared with a year ago. Commercial building was 21% below 1929, while construction for public works and utilities was 35.9% greater than a year ago. No definite indications of an upturn in building activities can be observed. The favorable factors are relatively cheap mortgage money and somewhat lower material costs. On the other hand, there appears to be in many localities an excess of office buildings, factories, and high-priced apartments, for which the demand has decreased owing to lower purchasing power. In September residential construction showed an increase of 19%, as compared with the preceding month. This increase, being the first upturn since May, is encouraging, but it is not certain whether it signifies the beginning of a new upward trend.

Automobile production in the United States declined from 4,224,911 cars in the first eight months of 1929 to 2,704,957 cars in the corresponding period this year, a decrease of 36.0%. It is reported that the great decline in output has considerably improved the position of dealers and branch distributors through reduction in inventories of new and used cars from the rather high levels prevailing in the early part of the year. The difficulties of the industry were intensified by the lower demand for American automobiles on the part of foreign countries. During the first eight months of this year exports were 42% lower than a year ago, accounting for 16.1% of the total output.

The cumulative effect of the low level of activity in the building, automobile, and farm implement industries is reflected in the great reduction in the output of iron and steel. During the first eight months of 1930 pig iron production was 19.7%, and steel ingot production, 23.2%, lower than in the corresponding period a year ago. No improvement was apparent in September. Unfilled orders of the United States Steel Corporation declined 4.3% in September in spite of reduced output. In September the industry operated 55.1% of capacity, as compared with 59.5% in the preceding month. Stocks in the hands of consumers are reported to be extremely low, but there has been no marked increase in forward buying for replenishment purposes.

Faced with a serious problem of overproduction in 1929, the petroleum industry has considerably reduced its output during the current year, bringing production in line with the actual demand. Total stocks on July 31, 1930, were 687 million barrels, as compared with 689 million barrels at the end of 1929. While the industry has successfully prevented an increase in total stocks, it has not improved the refining situation, which constitutes the crux of the problem. Total stocks of refined products at the end of 1929 were 148 million barrels. Of this total gasoline stocks represented 43 million barrels, an increase of 10 million barrels during the year. On July 31, 1930, total refined stocks were 163 million barrels, and gasoline stocks, 46 million barrels. In other words, the failure of total stocks to increase was due to a decline in crude oil stocks and a proportionate increase in the stocks of refined products. The result has been a very unsatisfactory refining situation and a radical decline in prices of refined products. There can be no real improvement in the industry until the stocks of refined products, particularly gasoline, are brought down to a reasonable level. In view of the generally depressed condition of business, a substantial increase in demand is not expected, and the desired end can be brought about only by curtailment of production.

The coal industry has been affected by the depression in the principal coal-consuming industries. The demand for coal on the part of the railroads and coke plants was con-

siderably lower than a year ago. The output of bituminous coal during the first eight months of this year was 11.1%, and that of anthracite, 4.1%, lower than in the corresponding period a year ago. The copper industry has suffered from excessive production. Although the output during the current year has been greatly reduced, the failure of consumption to increase and the pressure of large stocks resulted in a violent decline in price. This summer electrolytic copper sold for about $0.11 per pound, a decline of 38% since March, 1930. Consumption of tin, zinc, and lead was also greatly reduced, and wholesale prices in August were, respectively, 35.6%, 35.9%, and 18.7% lower than a year ago.

The textile industry has been in a difficult position for a number of years. No definite signs of improvement were apparent during the first eight months of 1930. The price situation has been extremely unsettled. Cotton, wool, silk, and rayon prices have drifted steadily to lower levels under the pressure of excessive production and low demand. In August, 1930, the average price of cotton yarns was 61.7% of the average for 1921–1925, as compared with 85.8% in August, 1929. The corresponding figures for gray goods are 60.0% and 80.5%. The curtailment in production that has been in effect this year is expected to restore the balance between supply and demand. Stocks of finished goods in August were lowest since 1921 and were far below average.[1] The decline in prices of certain textile products is shown in the following table:

Commodity	Dollars per Pound		Per Cent Change
	August, 1929	August, 1930	
Worsted yarns	$1.45	$1.20	−17.2
Print cloth 64 x 60	0.75	0.50	−33.3
Silk goods	1.18	1.06	−10.2
Rayon[1]	1.15	0.95	−17.4

[1] 150 denier, A grade.

The great decline in the prices of textile raw materials has also been a decidedly disturbing influence. From August, 1929, to August, 1930, the price of raw wool declined from $0.93 to $0.76 per pound; raw cotton, from $1.80 to $1.14

[1] The Textile World, October 4, 1930, p. 67.

per pound; and raw Japanese silk, from $5.07 to $2.95 per pound. Under these circumstances the producers found it extremely difficult to make accurate calculations, while the consumers were unwilling to buy, as they expected further decreases in prices.

The output of rayon is expected to establish a new record this year. Total production for 1930 is estimated at 130,369,000 pounds, an increase of more than 7 million pounds over that of 1929. While this increase in output appears satisfactory in a year of business depression, the price situation is reported to be very unsatisfactory. Efforts of the industry to stabilize prices have not been wholly successful, even though practically the entire output of rayon is produced by only fifteen companies, and more than 60% by two large companies.[1]

Employment, Wages, and Cost of Living

According to the figures compiled by the National Industrial Conference Board, employment in manufacturing industries was considerably lower this year than a year ago. The index number of employment, relative to June, 1920, as shown in Table 74, declined to 70.8 in August, 1930, from 83.4 in January, 1930, and 89.4 in August, 1929.[2] Real weekly earnings were also lower, in spite of a marked decline in the cost of living. The decrease in earnings, however, should not be attributed to lower rates of pay, but rather to the reduction in the average number of hours worked per week. There is abundant evidence that the effort to adjust manufacturing operations to present business conditions by reducing wages has been very limited in scope.[3] That there is, however, a serious problem of reduced purchasing power, due to the inability of a considerable number of wage-earners to secure employment, cannot be doubted. The solution of the unemployment problem along sound economic and social lines is a task that American industry must solve. The problem is one not simply of giving temporary

[1] The Textile World, September 27, 1930, pp. 84–85, 137.

[2] For 1929 figures see "A Picture of World Economic Conditions in the Summer of 1929," p. 118.

[3] National Industrial Conference Board, Service Letter on Industrial Relations, No. 66, September 30, 1930.

assistance in times of national emergency, but also of working out an industrial labor program that will at all times protect from suffering those members of the working population who are willing to work but unable to find employment.

TABLE 74: AVERAGE MONEY AND REAL EARNINGS, EMPLOYMENT AND HOURS OF WORK IN MANUFACTURING INDUSTRY, AND COST OF LIVING, UNITED STATES, FIRST EIGHT MONTHS OF 1930

Source: National Industrial Conference Board

Month	Average Earnings		Index Numbers of Earnings (Base, July, 1914 = 100)		Index Number of Employment. (Base, June, 1920 = 100)	Average Hours of Work per Wage Earner	Cost of Living (Base, July, 1914 = 100)	Real Earnings (Base, July, 1914 = 100)	
	Hourly	Weekly	Average Hourly	Average Weekly				Hourly	Weekly
January	$0.592	$27.51	237	215	83.4	46.4	160.4	148	134
February	.597	27.90	239	218	83.8	46.7	158.8	151	137
March	.596	27.59	238	216	82.9	46.3	157.4	151	137
April	.598	27.64	239	216	81.6	46.1	157.5	152	137
May	.597	27.05	239	212	80.3	45.2	156.2	153	136
June	.594	26.48	238	207	78.0	44.5	154.8	154	134
July	.595	25.72	238	201	72.4	43.3	152.4	156	132
August	.597	25.38	239	199	70.8	42.6	151.6	158	131

The marked decline in the cost of living, which raises real wages in the absence of reductions in the rates of pay, was due largely to lower cost of food and clothing. The Conference Board's index number of the former declined from 160.2 in August, 1929, to 143.7 in the same month this year, and of the latter, from 169.2 to 151.9—July, 1914, being taken as 100.[1] Table 75 shows the decline in the cost of food. In June, 1930, the index number of retail food prices declined below the 1923–1925 average and showed the first real break during the last three years. The decline was carried still further in July and August, indicating that retail prices are beginning to adjust themselves to the downward movement of the wholesale price level. So far as the movement of wholesale prices of all commodities is concerned, it should be noted that from July to August, 1930, the index number did not decline for the first time since July, 1929.

[1] For detailed figures of the cost of living see the Conference Board's Service Letter on Industrial Relations, the second issue of each month.

It is, however, too early to judge whether or not this indicates that wholesale prices have reached their low point.

TABLE 75: INDEX NUMBERS OF PRICES, UNITED STATES, FIRST NINE MONTHS, 1929 AND 1930

Source: United States Department of Commerce
Base: 1923–1925 = 100

Month	Wholesale, All Commodities		Farm Products to Producers		Retail Food	
	1929	1930	1929	1930	1929	1930
January	96.5	92.8	96.4	97.1	103.3	103.8
February	96.0	91.5	98.6	94.9	103.2	102.2
March	96.8	90.2	101.4	91.3	102.2	100.3
April	96.1	90.1	100.0	92.0	101.3	102.9
May	95.1	88.5	98.6	89.9	102.4	100.3
June	95.7	86.2	97.8	89.1	103.4	98.8
July	97.3	83.4	101.4	80.4	105.9	96.2
August	97.0	83.4	103.6	78.3	107.0	96.0
September	96.8	83.6	102.2	80.4	107.4	97.3

Foreign Trade

Declining industrial and commercial activity has not been moderated by increasing sales to foreign countries. The value of exports during the first nine months of 1930 was $876 million, or 23.2%, lower than in the corresponding period a year ago. The decline in exports is due both to lower prices and to lower demand for American products abroad. Cotton exports, for example, have suffered as a result of the depression prevailing in the cotton manufacturing industries of most countries and from the competition of other sources of supply. The decrease in the purchases of American cotton by the most important consuming countries is shown in the following table:

In thousand pounds

Country	First Eight Months	
	1929	1930
Great Britain	392,078	266,642
Japan	255,933	232,289
Italy	206,575	145,702
Soviet Russia—Europe	116,832	34,545
Canada	75,684	50,132

The competition of foreign cotton has become so keen that for the first time in history, or at least since 1865, the world

consumption of American cotton was smaller than that of outside growths in the second half of the season 1928–1929. According to recent estimates, the output of raw cotton in the United States this season will not be much larger than that of the other producing countries,[1] and no marked increase in foreign demand for American cotton is to be expected unless a substantial improvement takes place in the world cotton industry.

Exports of automobiles, on the other hand, have not been affected to any degree by foreign competition or declining prices, but mainly by lower purchasing power, due to business depression in foreign countries, and in some cases by their tariff policies. Exports to Argentina declined from 30,800 cars in the first eight months of 1929 to 11,584 cars in the corresponding period of this year; to Australia, from 25,545 cars to 3,409 cars; to Brazil, from 15,822 cars to 529 cars; to Great Britain, from 8,016 cars to 3,728 cars; to Italy, from 1,073 cars to 534 cars. The total number of cars exported declined from 270,818 to 122,668.

TABLE 76: VALUE OF FOREIGN TRADE BY COMMODITY CLASSES, UNITED STATES, FIRST NINE MONTHS, 1929 AND 1930

Source: United States Department of Commerce

In thousand dollars

Commodity Group	Imports		Exports	
	1929	1930	1929	1930
Crude materials	1,195,010	796,350	697,362	556,097
Crude foodstuffs	409,510	310,489	205,560	134,439
Manufactured foodstuffs	335,477	226,420	351,476	273,487
Semi-manufactures	674,842	486,122	558,178	407,970
Finished manufactures	743,178	581,768	1,966,305	1,530,788
	3,360,018	2,401,150	3,778,878	2,902,781

The development of American automobile exports in the future will be affected not only by tariff policies and business conditions but also by the building of American branch factories in foreign countries and the acquisition of foreign automobile concerns by American companies.

[1] The Association of Cotton Textile Merchants of New York, The Cotton Textile Bulletin, October 15, 1930.

TABLE 77: VALUE OF PRINCIPAL EXPORTS, UNITED STATES, FIRST EIGHT MONTHS, 1929 AND 1930

Source: United States Department of Commerce

In thousand dollars

Commodity	1929	1930	Per Cent Change
Cotton, unmanufactured	368,067	262,532	−28.7
Automobiles, parts, and accessories	421,982	217,090	−48.6
Petroleum and products	376,496	360,736	− 4.2
Iron and steel and manufactures	199,888	149,584	−25.2
Wheat	61,607	67,056	+ 8.8
Tobacco, unmanufactured	68,894	70,636	+ 2.5
Cotton manufactures	79,268	53,745	−32.2
Copper	128,791	75,763	−41.2

TABLE 78: VALUE OF EXPORTS OF IRON AND STEEL AND MACHINERY, UNITED STATES, FIRST EIGHT MONTHS, 1929 AND 1930

Source: United States Department of Commerce

In thousand dollars

Commodity	First Eight Months		Per Cent Change
	1929	1930	
Iron and steel semi-manufactures	73,436	52,842	−27.7
Steel mill products	66,112	50,664	−23.4
Advanced manufactures, iron and steel	60,640	46,078	−24.0
Electrical machinery and apparatus	81,991	81,346	− 0.8
Industrial machinery	179,561	170,986	− 4.8
Office appliances	37,098	30,324	−18.3
Printing machinery	13,520	11,263	−16.7
Agricultural machinery	100,474	92,261	− 8.2
	612,532	535,764	−12.5

TABLE 79: VALUE OF PRINCIPAL IMPORTS, UNITED STATES, FIRST EIGHT MONTHS, 1929 AND 1930

Source: United States Department of Commerce

In thousand dollars

Commodity	First Eight Months		Per Cent Change
	1929	1930	
Raw silk	270,833	170,063	−37.2
Wood and paper	247,574	218,590	−11.7
Paper base stocks	78,232	73,715	− 5.8
Printing paper	93,132	87,393	− 6.2
Coffee	211,357	145,877	−31.0
Rubber	173,166	109,096	−37.0
Cane sugar	165,984	94,731	−42.9
Copper	103,704	78,691	−24.1
Petroleum and products	98,902	99,947	+ 1.1
Jute and manufactures	72,522	52,937	−27.0
Tin	66,474	44,825	−32.6
Wool, unmanufactured	65,440	30,786	−53.0

Smaller purchases by Canada, Central and South American countries, the Netherlands East Indies, and Japan were mainly responsible for the decline in iron and steel exports. Petroleum and machinery exports were, on the whole, maintained at a high level. Exports of wheat and tobacco were larger than a year ago. Sales of copper declined greatly in both quantity and value. The unusually low price of copper apparently did not stimulate extensive foreign buying, although more recently there have been some indications of a revival in foreign demand.

The reduction in American purchases of foreign products was greater, in terms of value, than the decline in American exports. The surplus of merchandise exports during the first nine months of this year was $501 million, as compared with $418 million in the corresponding period of 1929. A considerable part of the decline in imports, however, was due to lower prices of foodstuffs and raw materials, particularly coffee, raw silk, wool, and rubber.

Examination of Table 80, presenting the geographic distribution of foreign trade, shows that sales of American products to South America have declined most, and those to Europe, least. This is due to the fact that European imports from the United States consist largely of necessities, foodstuffs and raw materials, while South America is chiefly a market for American manufactures, the imports of which are quickly affected by unfavorable business conditions whether caused by economic or political developments. Russia is the only important country that actually increased its purchases of American products in 1930. During the first seven months of this year, American exports to Russia were 99.6% greater than during the corresponding period a year ago, and Russia became the seventh most important market for American goods. Canada, Great Britain, Germany, France, Japan, and Argentina were the only countries that bought more in the United States than Russia.

The United States has a large excess of merchandise exports in the trade with Europe and North America. Imports from Asia are considerably larger than exports, while merchandise transactions with South America result in a small import surplus. The total of merchandise transactions

leaves a large credit balance in favor of the United States, which must be adjusted through other channels of international business dealings. The surplus of merchandise or visible exports must be offset by the so-called invisible items, consisting mainly of payments for services, tourists' expenditures, long-term and short-term capital transactions. Estimates of the United States balance of international payments are made once a year by the United States Department of Commerce and are published early in the summer of each year. Table 81 shows the balance of payments for the year 1929.[1] The total volume of international transactions of the United States in 1929 was over $20,000 million, about evenly divided between merchandise and invisible items.

TABLE 80: GEOGRAPHIC DISTRIBUTION OF FOREIGN TRADE, UNITED STATES, FIRST SEVEN MONTHS, 1929 AND 1930

In thousand dollars

Continent or Country	Imports			Exports		
	1929	1930	Per Cent Change	1929	1930	Per Cent Change
Europe	770,530	572,946	−25.6	1,281,001	1,064,961	−16.9
United Kingdom	197,587	134,620	−31.9	459,102	379,233	−17.4
Germany	148,826	108,442	−27.1	205,008	147,256	−28.2
France	95,267	66,937	−29.7	138,370	122,822	−11.2
Soviet Russia	13,051	13,293	+ 1.9	40,789	81,399	+99.6
Asia	766,460	544,331	−29.0	372,016	276,794	−25.6
Japan	230,618	153,221	−33.6	141,603	104,529	−26.2
British Malaya	155,302	98,394	−36.6	8,380	6,571	−21.6
China	105,887	71,987	−32.0	71,824	52,337	−27.1
Northern North America	297,033	255,804	−13.9	588,975	433,236	−26.4
Canada	292,114	249,889	−14.5	582,209	426,794	−26.7
Southern North America	304,753	222,242	−27.1	252,256	221,688	−12.1
South America	391,069	291,641	−25.4	337,252	212,843	−36.9
Argentina	70,674	57,625	−18.5	128,592	82,437	−35.9
Brazil	125,696	80,265	−36.1	72,755	35,601	−51.1
Chile	66,720	39,267	−41.1	32,406	27,395	−15.5
All countries	2,639,356	1,956,322	−25.9	3,025,949	2,342,940	−22.6

The total value of American private investments at the end of 1929 is estimated at from $13,366 million to $15,366 mil-

[1] For a detailed analysis see Ray O. Hall, "The Balance of International Payments of the United States in 1929," Trade Information Bulletin No. 698, Washington, 1930.

TABLE 81: THE INTERNATIONAL BALANCE OF PAYMENTS, UNITED STATES, 1929

In million dollars

Class of Transactions	Cash Claims Due from Foreigners	Cash Claims Due to Foreigners	Difference
Commodity transactions			
Merchandise, silver, etc.	5,490	4,756	+734
Miscellaneous invisible transactions			
Freight	154	269	−115
Tourist expenditures	180	745	−565
Interest on all private investments	976	414	+562
War debt receipts	212	5	+207
Government transactions, except War debts	60	152	− 92
Immigrant remittances	24	247	−223
Charitable and missionary contributions	..	49	− 49
Other items	192	167	+ 25
Total commodity and miscellaneous	7,288	6,804	+484
New private loans, investments, and deposits			
Net increase in American long-term investments	..	808	−808
Bond discounts and underwriters' commissions	26	..	+ 26
Net cash payments for above	..	..	−782
Net increase in long-term foreign investments in United States	396	..	+396
Increase in net debt of American banks to foreigners	13	..	+ 13
Total private capital	..	..	−373[1]
Other balancing items			
Gold shipped or earmarked—net	245	365	−120
Discrepancy due to inaccurate figures	..	..	9[2]

[1] Net export of long-term capital, plus or minus short-term capital.
[2] Total errors would be much larger, as errors tend to offset one another.

lion. These figures exclude war debts to the United States Treasury and short-term loans to foreigners. The present worth of the former at 5% compound interest is $5,874 million. Total short-term funds due from abroad at the end of 1929 are valued at $1,483 million. On the same date private long-term debts of United States citizens to foreigners amounted to about $7,500 million, and short-term debts, to $3,087 million. In absolute amount private debts, to foreigners are greater than at any other time in American history and greater than those of any other nation, but no nation, with the exception of Great Britain, compares with the United States in size of its foreign investments. The annual yield of American investments abroad is now esti-

mated at slightly less than a billion dollars. In 1929 foreign investments in the United States yielded about $414 million. This unusually large figure is due partly to the high interest rates prevailing in the first part of the year as a result of extreme stock market activity, which attracted about $3 billion of foreign short-term funds.

TABLE 82: CAPITAL ISSUES, UNITED STATES, FIRST EIGHT MONTHS, 1929 AND 1930

Source: Commercial and Financial Chronicle

In million dollars

Type of Issue	1929	1930	Per Cent Change
Domestic			
New capital			
Corporate	5,730	3,772	− 34
Government	828	973	+ 18
Total new capital	6,558	4,745	− 28
Refunding	945	381	− 60
Total domestic	7,503	5,126	− 32
Foreign, including United States possessions			
New capital			
Corporate	535	418	− 22
Government	87	468	+438
Total new capital	622	886	+ 42
Refunding	21	57	+171
Total foreign	643	943	+ 47
Grand total	8,146	6,069	− 25

An interesting aspect of the 1929 balance of payments is the decline of $561 million in American net capital export from the figure of 1928, which was $934 million. This decrease "was no doubt in part responsible for some of the fiscal and foreign exchange difficulties of certain foreign nations, for some of the world-wide recession in business, and for some of the reduction in our merchandise exports during the latter part of the year and early in 1930; it may have also contributed to the world decline in commodity prices."[1] During the first eight months of this year, foreign capital issues in the United States amounted to $886 million,

[1] Ibid., pp. III–IV.

an increase of 47%, as compared with the corresponding period in 1929.

Financial Conditions

Domestic capital issues showed a decline of 32% during the first eight months of this year, as compared with the corresponding period of 1929. The decrease was due almost entirely to lower volume of corporate financing through issue of stocks. The decline in stock prices has increased the popularity of bonds. Corporation bond issues were $2,086 million this year, as compared with $1,388 million in 1929, while corporation stock issues declined to $1,330 million from $4,149 million. The great deflation in stock prices is shown in Table 83. It was accompanied by drastic reductions in loans to New York Stock Exchange members and by a great decline in the rate of interest for call loan renewals.

TABLE 83: STOCK PRICES, BROKERS' LOANS, AND INTEREST RATES, UNITED STATES, FIRST EIGHT MONTHS OF 1930

Source: United States Department of Commerce

	Stock Prices (Average Daily Closing)					
	25 Industrials Average—Dollars per Share		25 Railroads Average—Dollars per Share		103 Stocks, Average —Dollars per Share	
	1929	1930	1929	1930	1929	1930
January	$344.17	$294.78	$132.40	$126.29	$87.48	$65.46
February	350.88	315.25	131.70	131.94	85.73	66.56
March	355.10	328.24	129.30	131.55	83.61	69.71
April	357.70	349.46	128.49	131.18	81.55	64.66
May	363.37	327.04	128.95	123.59	76.26	64.73
June	372.70	284.36	134.37	113.84	82.50	54.84
July	414.04	283.64	149.27	113.69	86.25	56.98
August	431.20	282.81	151.29	110.38	90.35	55.92
	Brokers' Loans—End of Month					
	To New York Stock Exchange Members Millions of Dollars		By N. Y. Federal Reserve Member Banks Millions of Dollars		Call Loans, Renewal Per Cent	
	1929	1930	1929	1930	1929	1930
January	6,735	3,985	5,559	3,345	7.05	4.64
February	6,679	4,168	5,507	3,489	7.06	4.32
March	6,804	4,656	5,562	3,968	9.10	3.69
April	6,775	5,063	5,532	4,274	8.89	4.00
May	6,665	4,748	5,288	4,022	8.91	3.12
June	7,071	3,728	5,769	3,219	7.70	2.62
July	7,474	3,689	5,960	3,228	9.23	2.20
August	7,882	3,599	6,217	3,110	8.23	2.21

The volume of loans and investments of all banks in the United States declined about $400 million during the year ended June 30, 1930. Loans and investments of New York City Member Banks, however, actually increased $650 million during this period, while those of all other banks combined showed a decline of $1,050 million. The extent to which credit extension during the period was confined to New York City banks is even more clearly revealed in figures of loans. Loans of New York City banks increased $250 million, as compared with a reduction of $1,150 million in loans of all other banks combined. Reflecting lower demand for credit on the part of business, there was an increase in deposits of Reporting Member Banks of $1,125 million during the twelve months ended September 24, 1930, while lower pay rolls, lower volume of retail trade, and lower commodity prices brought about a reduction of $300 million in the amount of notes in circulation.[1]

All these developments are expressed in the extraordinarily low money rates. This September the level of money rates was lower than at any other time in over ten years. Call money rates in 1929 reached about the same level as in 1919–1920, but, while the increase in rates in the former period was due to inflation in commodity prices and extension of commercial loans, last year it was due to speculation in securities and was reflected in an enormous expansion of security loans. Liquidation of these loans can, as a rule, be accomplished more quickly than that of commercial loans. Furthermore, the decline in interest rates last year was facilitated by the stronger position of the Federal Reserve Banks and Member Banks, accompanied by discount rate reduction and liberal purchases of securities.

On the whole, the financial situation is a most encouraging factor in the business situation. Industrial and trade recovery, it is true, cannot be started simply through easy access to bank credit, but, once the necessary adjustments in production and distribution of commodities are made, the improvement will be greatly facilitated by the soundness of the financial structure.

[1] Federal Reserve Bulletin, October, 1930, pp. 611–630.

PART II

SPECIAL REPORTS RECEIVED BY NATIONAL INDUSTRIAL CONFERENCE BOARD, INC., FROM ITS FOREIGN CORRESPONDENTS BY OCTOBER, 1930

BRITISH ECONOMIC CONDITIONS IN THE FIRST HALF OF 1930

Contributed by the Intelligence Department of the Midland Bank, Limited, London; transmitted through the Rt. Hon. Reginald McKenna, Chairman

IN OUR last survey occurred the following comment on the record of 1929: "The most disturbing feature was the recession towards the end of the year, which may prove on the one hand to be merely a pause in the upward trend, or may take on, by contrast, the dimensions of a major relapse." As events have developed, the recession has indeed become a major relapse, from which it is even now difficult to find definite, convincing signs of recovery. It may be mentioned, as indicative of the extent of the slump, that the index of production compiled by the London and Cambridge Economic Service stood at 100.9 for the second quarter of this year, the base period being 1924, as against 111.0 for the second quarter of 1929, which itself was not a time of maximum activity. Again, in July last year approximately 9.7% of the workers covered by our State unemployment insurance system were idle; in July, 1930, the proportion was 17.1%, a small part of the increase being due to changes in the technique of the system. In a population of 46 million men, women, and children, more than 2 million people of normal working age are unemployed.

The following table shows that the increase in unemployment, involving the maintenance in idleness of one in six of our wage- and salary-earning population, has been spread over almost the entire field of productive, trading, and serving activity. At the same time, it gives clear evidence of the black spots in our business situation.

It will be seen that the highest percentage of all is recorded in the textiles group, the figure for which is determined very largely by conditions in the cotton industry. For years past, for a variety of reasons, this industry has been in severely straitened circumstances and more recently has been faced

with a crisis by the disturbances, political and monetary, in some of its principal markets. The Government, shortly after it took office, set up a small committee to inquire into the reasons for the continued and deepening depression. The report of the committee was published early in July and contained recommendations for, among other things, the acceleration of progress toward more highly concentrated control in both the productive and selling processes. Some advance is being made in this direction, and the report of the committee is undergoing careful and detailed scrutiny by those directly concerned.

UNEMPLOYMENT IN THE MAIN OCCUPATIONAL GROUPS JULY, 1929, AND JULY, 1930

Industry	Estimated Number Insured	Per Cent Unemployed	
		July 22, 1929	July 21, 1930
Mining—chiefly coal	1,230,130	17.5	26.6
Chemicals, etc.	218,360	5.9	10.5
Metal manufacture	324,000	16.1	27.7
Metal trades	528,080	7.8	16.6
Engineering, construction of vehicles, etc.	1,076,370	8.2	15.8
Shipbuilding	204,500	23.0	31.7
Textiles	1,315,420	13.3	34.7
Clothing	581,270	7.3	11.7
Food, drink, and tobacco	512,440	6.6	10.4
Sawmilling, furniture, etc.	214,640	7.0	12.4
Paper and printing	386,780	3.8	7.0
Building, etc.	990,410	10.4	16.2
Gas, water, and electricity	162,030	5.4	7.4
Other producing industries	452,460	8.7	15.6
Transport	806,790	13.0	17.2
Distributive trades	1,679,090	5.4	8.7
Commerce, banking, insurance, etc.	228,590	2.5	3.6
Miscellaneous trades and services	1,182,640	7.5	11.8
Total	12,094,000	9.7	17.1

The wool industry is not quite so depressed, to judge from unemployment statistics, as its sister textile trade. A prolonged partial stoppage, however, resulted from the reluctance of the employees to accept a wage reduction recommended in March this year as the result of an official inquiry. The dispute, coming at a time normally characterised by considerable activity, was particularly harmful, but the wage reduction has now been generally accepted, and the industry is engaged largely in working off old orders.

Coal-mining remains one of the most depressed branches of British economic life. This is not for lack of attention on the part of official and unofficial advisers—indeed, many people would maintain that the present condition is largely or mainly the direct result of such attentions. The Government, as part of its policy declared before last year's general election, brought in a bill to repeal the Act of 1926, under which the maximum working day in the industry was raised from seven to eight hours. In addition, it made elaborate provision for joint marketing schemes, arranged by districts, with a national co-ordinating body, designed largely to maintain and increase export trade in coal and to regulate production in accordance with variations in the total demand. The bill was the subject of a long constitutional struggle between the two Houses of Parliament, but eventually was passed into law in a considerably altered form. With regard to the working day, the effect of the Act is to reduce the maximum to seven and a half hours until July, 1931, when the Act of 1926 is due to lapse and, failing further legislation, the previous maximum of seven hours will be restored. Meanwhile, representatives of the coal owners and the miners and Government officials are engaged in working out details of the marketing schemes, which are to come into full force in October. One of the results anticipated from the Act by many critics is the possibility of higher prices for coal, not only for direct or indirect household consumption, but also for industrial, transport, and trading purposes. If this result should eventuate, it will place yet another obstacle in the way of general business recovery and, therefore, to some extent detract from the benefits which may accrue from the marketing schemes to the coal industry itself and those engaged in it.

Turning to other heavy industries, the Government instituted an inquiry, similar to that undertaken by the cotton committee, to consider conditions in the iron and steel trades. It has been decided not to publish the report of this committee, and no authoritative statement has been made as to its recommendations. One of the main causes of the industry's troubles is well demonstrated by remarks contained in a recent statement issued by the Sheffield Chamber of

Commerce. From this it appears that Sheffield's production of steel and steel products is fifty per cent higher than in the best pre-war years; on the other hand, productive capacity was trebled under pressure of war requirements, with the consequence that only a portion of the available plant is at work. In looking for a solution of the problem thus presented, it is encouraging to see that the process of combination and reconstruction is going steadily forward.

Unemployment is still severe in the ship-building industry despite active conditions in some centers. Orders for new cargo tonnage, however, are comparatively scarce, a fact which is hardly surprising in view of the deep depression in shipping. A large aggregate tonnage of ships is laid up, the general average of freight rates being well below the pre-war level, while running costs are still considerably higher. Early in the year plans were made known for a scheme, covering practically the whole of the ship-building resources of the country, whereby redundant and uneconomical yards would be closed. The project has not yet reached the stage of full activity.

The process of "rationalization," which has been an outstanding feature of events in the iron and steel industry, is now receiving the combined attention of banks and financial houses through a special organization set up under the auspices of the Bank of England. This institution, the Bankers' Industrial Development Company, has a relatively small paid-up capital, supplied by the participating banks and other houses, the list including all the important banks and most of the leading financial undertakings in the city. Part of the capital was taken up by the Securities Management Trust, a subsidiary of the Bank of England, the Trust retaining one half of the voting power. The chief function of the new Company is to assist in working out schemes of rationalization in our basic industries and in arranging the supply of the necessary financial resources. It is understood that definite proposals are under consideration, and already announcement has been made of participation in a projected large fusion of steel and coal undertakings.

The full benefits of industrial reconstruction, however, can be reaped only after the passage of a considerable period,

and meanwhile anxiety is felt, not only regarding the purely domestic aspect of our condition, but also with respect to the trend of overseas trade. It is well known that exports of British commodities in these days pay for a considerably smaller proportion of our imports than before the War. Furthermore, concern is felt as to the growing volume of imports of manufactured goods. One line of attack on the problem of the widening margin between imports and exports—which, for somewhat inadequate reasons, is almost universally regarded as inherently evil—lies in strenuous efforts to expand export trade. The D'Abernon mission to South America for this purpose will be readily recalled, and recently a similar mission has set out for South Africa. A third delegation, with a subsidiary body of representatives specifically of Lancashire, is to sail shortly for the Far East. The Government, moreover, has extended British trade representation in various parts of the world; arranged a trading *modus vivendi* with Russia; and decided to extend the term of operation of the Export Credits Guarantee scheme. Private efforts, too, are being put forward to the same end, and among these may be mentioned the visit of a trade mission representing Sheffield industries to South America for the purpose of investigating market conditions and trading possibilities in various countries of that continent.

Alongside of these developments, widespread attention is being devoted to consideration of ways and means of curtailing imports. The acute business slump, representing the culmination of a decade of depression, has led to a resurgence of the fiscal controversy which for the past century has held a prominent place in our political life. In this field the present Government's policy has been of a strongly free-trade character, that is to say, no new import duties have been proposed, while existing ones are being swept away. In the budget for 1930–1931, opened in April last, the Chancellor of the Exchequer announced the Government's decision to allow various duties imposed under the Safeguarding of Industries Acts to lapse at the end of their original terms of operation. From considerations of revenue, the silk duties and the levies on imports of motor cars, musical instruments,

and other articles, imposed originally as a wartime measure, remain in effect, but the Chancellor has clearly stated his determination to sweep these away at the earliest opportunity.

Despite this apparent trend towards greater freedom of imports, the opinion is more and more freely and forcibly expressed that protection in some form or on some sides of our economic life is a condition of economic recovery in this country, particularly in view of the general protective tendency throughout the world. The exact nature and scope of the duties suggested are subjects of wide difference of opinion, but there can be little doubt that a change of Government would be followed by the introduction of a system of import duties covering a considerably wider scope than that now in operation.

The arguments employed in the controversy follow to a large extent the lines pursued in the recurrent political encounters of late nineteenth-century British politics. On the other hand, some of the debatable points arise from the special conditions of the time, while others again derive from a movement designed to secure a higher degree of economic co-operation between the various countries within the British Commonwealth of Nations. Without taking up any position in the controversy, it may perhaps be pointed out that the monetary situation has an important bearing on the subject. In this country, we no longer find any high degree of elasticity in costs of labor. That is to say, the mobility of labor—and incidentally of capital—which characterized the later nineteenth century is no longer so marked as in those days. As a consequence of this condition, coupled with the circumstances of our return to the gold standard and the marked and continuous fall in world prices since then, our costs of production have reached a position of grave disequilibrium in relation to the returns on our products. This is one of the most important considerations in any analysis of our general economic situation, and it cannot be ignored in its relationship to the fiscal issue.

Prior to the War the tariff controversy was concerned almost exclusively with the industrial side of our economic activities. In its latest form, however, it embraces agricul-

ture as well. This is not merely because for a long period British farming has suffered almost uninterrupted depression, though this is the background of the demand for some kind of material assistance. Recently, however, a more peremptory outcry has arisen, partly on account of the slump in grain values, and partly by reason of imports of European cereals at prices which, it is alleged, would have been unremunerative in the absence of indirect subsidies. At the beginning of August, the Government announced its comprehensive program for the improvement of conditions in the farming industry. Among other things it proposes an extension of the system of small holdings and the promotion, with Government assistance, of more advanced, co-operative marketing methods. The Government frankly recognizes that its plans do not include any thorough-going scheme of assistance to cereal farmers, but proposals to this end are said to be under consideration. Meanwhile, the leader of the Conservative party has announced his intention, if returned to power, of introducing legislation assuring a guaranteed price for milling wheat to the grower.

All these developments are indicative of furious thinking with regard to our economic condition. And meanwhile our monetary system is by no means lost sight of as a factor in the situation. The Government's committee on finance and industry has not yet reported, but is steadily accumulating evidence, while a wide variety of proposals are being put forward with a view to remedying the defects, real and supposed, in our existing machinery of money supply.

The developments in the monetary field in recent months have attracted a great deal of attention, most of the popular interest in the subject having been centered upon factors directly affecting the gold supply. It will be remembered that in the concluding weeks of last year the Bank of England's gold stock was strongly reinforced, following the earlier heavy outflow, until it stood at the beginning of 1930 at a figure only approximately £7 million below that of a year before. The process of augmentation went on steadily in the early months of the present year, largely as a result of receipts from Australia, so that from £146 million on January 1 the stock of gold rose to £163.5 million on May 7.

At this stage the French demand re-asserted itself; not only was newly arriving bullion from South Africa bought for shipment to France, but a steady drain took place also from the Bank, so that by July 30 the stock had been reduced to £152 million. This figure was still well above that of a year earlier.

The monetary situation, however, has by no means been dominated by gold movements, heavy though they have been, for, strange as it may appear at first sight, the volume of money was severely reduced in the early months of the year, when the gold stock was growing, and has expanded considerably since then, despite the outflow of gold. This contradiction of what is generally regarded as a natural sequence of events can be and must be attributed only to deliberate policy carried out by the central bank. The plain statement of these facts introduces a rather complex and in some respects paradoxical situation.

Throughout the half-year, money rates, as shown by the quotations for bills and short loans in the money market, have been so low as to remain wholly out of touch with Bank rate. This condition has been due not to abundance of money so much as shortage of bills following the drastic retirement of Treasury bills out of the proceeds of new Government long-term loans. As a result of these operations in the public debt, the volume of Treasury bills afloat has been reduced by roughly £120 million as compared with a year ago, or probably, at a guess, by about one quarter of the supply previously available to the market. In view of the fact that Treasury bills apparently comprise more than one half the total supply of bills in the market, it is not surprising that discount rates fell and remained far below the official minimum of the central institution. This was, no doubt, the principal cause of the persistent weakness of sterling in terms of dollars.

In a purely relative sense, then, it may be admitted that there was an abundance of money in the market. At the same time, that abundance did not extend to industrial financing, for the banks are necessarily bound, in the interests of safety and liquidity, to keep a fair proportion of short-term money on hand. Further, the weakness of ster-

ling led to deflation, in the sense that bank cash was reduced and the lending powers of the banks proportionately curtailed in an effort to re-establish contact between open market rates and Bank rate. Fortunately, however, a reversal of the earlier trend of monetary policy has been noticeable in recent months. Bank cash has been restored, and deposits have risen slightly above the level of a year ago. Meanwhile, the banks have recovered a higher degree of liquidity through the relative reduction in advances and are therefore in a better position to meet the demands, which may be expected to come upon them at some time in the future, for accommodation to finance trade recovery. This development in monetary policy is perhaps the most hopeful feature of the immediate outlook—a feature which is reinforced by the lifting, probably only temporarily, of the pressure exerted on our gold stock by the French demands.

On the other side of the picture, perhaps the most disturbing element of the situation is the continued downward trend of commodity prices. Very few people would have supposed, when Great Britain returned to the gold standard, that in the course of little more than five years the general average of wholesale prices would have fallen so far as to be within 20% of the pre-war level. In April, 1925, the official British index number, using 1913 as the base, was 161.9. A year later it was 143.6, having moved in the meantime into approximate equilibrium with the American index. The lapse of another year brought it to 139.9, but the succeeding twelve months saw a slight recovery, so that in April, 1928, the figure was 143.1. By April, 1929, the number was back again to 138.8, while the ensuing year witnessed a drastic fall to 123.7. The latest figure, for July, is 119.2, the fall in the year to that month amounting to more than 13%. A collapse of these dimensions is nothing short of catastrophic and strikingly reveals, so far as it is a phenomenon of world economics, the absolute necessity for a far more highly developed international control of gold and monetary policy than has yet been attained. For Britain, the necessity is particularly urgent, since retail prices have fallen to nothing like the same extent as wholesale. The official index number for the beginning of August, taking

Statistics Relating to Production, Foreign Trade and Employment

Period	Index of Production[1] 1924 = 100	Coal Output millions of tons	Pig Iron: Production thousands of tons	Pig Iron: Number of Furnaces in Blast	Steel Production thousands of tons	Ship-building Tonnage Begun thousands of tons	Percentage of Insured Persons Unemployed	Net Imports £ million	British Exports £ million
1929:									
January	..	22.4	564	139	765	..	12.2	106.3	66.9
February	..	21.1	520	140	775	..	12.1	81.0	55.7
March	..	22.6	590	145	860	..	10.0	88.6	58.6
1st quarter	108.3	66.1	1,674	..	2,400	362	..	275.9	181.2
April	..	20.9	611	152	809	..	9.8	93.8	60.2
May	..	20.7	655	159	844	..	9.7	93.0	67.4
June	..	19.9	658	165	831	..	9.6	81.9	49.9
2nd quarter	111.0	61.5	1,924	..	2,484	428	..	268.7	177.5
July	..	21.1	672	167	805	..	9.7	85.6	66.5
August	..	20.5	682	170	753	..	9.9	92.0	63.0
September	..	20.9	665	168	848	..	10.0	91.6	55.1
3rd quarter	108.2	62.5	2,019	..	2,406	360	..	269.2	184.6
October	..	23.0	689	166	890	..	10.4	101.1	64.6
November	..	22.3	631	163	815	..	11.0	100.0	63.1
December	..	21.4	643	162	661	..	11.1	98.6	58.4
4th quarter	114.8	66.7	1,963	..	2,366	499	..	299.7	186.1
1930:									
January	..	23.8	650	159	771	..	12.6	93.7	58.3
February	..	21.7	607	162	776	..	13.1	79.6	51.9
March	..	22.4	666	157	826	..	14.0	85.8	53.9
1st quarter	109.6	67.9	1,923	..	2,373	427	..	259.1	164.1
April	..	19.7	620	151	696	..	14.6	76.1	46.9
May	..	21.3	615	141	692	..	15.3	82.0	51.0
June	..	17.0	563	133	600	..	15.8	75.6	42.8
2nd quarter	100.9	58.0	1,798	..	1,988	230	..	233.7	140.7
July	..	18.9	486	105	621	..	17.1	78.5	50.7

[1] London and Cambridge Economic Service.

Other Financial Statistics

Month	Bank Clearings £ million		Postal Receipts Daily Averages: £ thousand	New Capital Issues[1] £ million		Rate for 3-Months' Treasury Bills Monthly Averages: Per Cent	Wholesale Prices[2] 1913 = 100	Cost of Living[3] July, 1914 = 100	London-New York Exchange[4] Monthly Averages: $ to £1
	London	Provincial		Home Purposes	Overseas Purposes				
1929:									
January	4274.3	147.7	124.9	18.0	29.4	4 9/32	138.3	167	4.8500
February	3592.2	137.8	120.1	26.2	6.9	4 31/32	138.4	165	4.8524
March	3692.8	141.2	127.9	24.8	9.0	5 5/16	140.1	166	4.8528
April	3677.1	132.2	129.6	28.8	6.0	5 3/16	138.8	162	4.8537
May	3647.1	128.1	128.1	12.3	8.8	5 7/32	135.8	161	4.8510
June	3428.2	126.9	128.1	14.0	11.4	5 11/32	135.6	160	4.8486
July	4143.7	145.5	131.3	13.9	8.3	5 3/8	137.4	161	4.8515
August	3658.4	121.9	123.0	2.2	1.4	5 15/32	135.8	163	4.8486
September	3351.9	118.9	129.2	1.5	1.2	5 5/8	135.8	164	4.8486
October	4042.7	138.9	136.7	7.5	4.1	6 5/32	136.1	165	4.8703
November	3865.2	133.1	135.5	6.3	6.7	5 5/16	134.0	167	4.8777
December	3523.0	126.9	175.7	4.0	1.2	4 3/4	132.5	167	4.8819
1930:									
January	3934.0	134.1	130.6	11.3	5.6	4 1/32	131.0	166	4.8691
February	3442.9	121.4	125.6	8.0	18.2	3 29/32	127.8	164	4.8622
March	4162.3	129.8	130.7	16.9	9.4	2 17/32	124.5	161	4.8634
April	3614.1	114.0	131.6	11.9	9.4	2 1/2	123.7	157	4.8636
May	3900.2	117.0	130.9	17.8	20.1	2 1/8	122.0	155	4.8599
June	3464.5	101.9	130.1	7.7	5.5	2 5/16	120.7	154	4.8589
July	4026.7	115.7	132.4	13.1	3.3	2 3/8	119.2	155	4.8660

[1] Midland Bank compilation.
[2] Board of Trade index number.
[3] Ministry of Labor index number.
[4] "Statist" averages.

Banking Statistics

Averages of weekly figures: £ million

Month	Bank of England				Notes in Circulation	Ten London Clearing Banks			
	Gold Holdings[1]	Total Deposits	Total Securities	Reserve in Banking Dept.		Deposits	Cash	Percentage: Cash to Deposits	Advances
1929:									
January	153.7	121.9	90.2	49.8	363.9	1,846	202	10.9	972
February	150.5	113.4	74.7	57.0	353.6	1,814	190	10.5	983
March	152.6	114.0	76.1	56.2	356.4	1,777	188	10.6	996
April	155.7	116.8	79.3	55.3	360.4	1,781	192	10.8	1,003
May	161.5	109.6	67.8	59.6	361.9	1,770	192	10.8	993
June	162.9	115.8	72.4	61.3	361.7	1,808	196	10.8	994
July	152.1	116.3	91.3	43.2	368.9	1,816	193	10.6	1,001
August	139.5	115.3	103.0	30.4	369.1	1,796	192	10.7	996
September	136.3	115.8	101.4	32.7	363.5	1,792	195	10.9	987
October	132.1	112.8	99.2	31.4	360.7	1,802	193	10.7	987
November	133.3	112.1	93.1	36.8	356.5	1,789	190	10.6	986
December	139.6	107.6	95.3	30.2	369.4	1,811	205	11.3	988
1930:									
January	149.5	131.5	95.8	53.7	355.8	1,805	195	10.8	986
February	151.6	108.2	62.1	64.3	347.3	1,751	185	10.5	990
March	153.8	108.1	62.4	64.1	349.7	1,719	184	10.7	992
April	161.3	119.1	75.3	61.6	359.8	1,750	191	10.9	986
May	161.1	116.1	69.2	64.7	356.4	1,780	190	10.7	974
June	157.3	112.8	73.7	56.9	360.4	1,826	193	10.6	975
July	155.7	117.1	84.5	50.7	365.0	1,831	194	10.6	968

[1] The figures include a small amount of silver coin in the Banking Department.

July, 1914, as the base, is placed at 157, a decline of less than 4% as compared with a year earlier. Meanwhile, wage rates appear to have remained at more than 70% above the 1913 level. The disparity presented by these figures stands at the heart of our economic problem, and few developments could be more welcome to this country than a steady and substantial upward movement in the world level of wholesale prices. This no doubt was the consideration which prompted a director of the Bank of England to declare in a recent address that a little inflation would give no good cause for alarm. We are, indeed, beginning as a nation to see that inflation is not alone to be regarded with horror; that deflation has its evils too; and that monetary virtue consists, not in mere avoidance of inflation, but in intelligent subservience of monetary policy to economic welfare.

London
August, 1930

THE DEVELOPMENT OF THE GERMAN TRADE BALANCE[1]

Report of Mr. Franz von Mendelssohn, of Mendelssohn and Company, Bankers, Berlin

THE economic life of Germany is burdened with the necessity of making heavy payments to foreign countries. The weight of these payments has not been decidely reduced by the new reparations plan. Germany must pay her foreign creditors about 2,000 million Reichsmarks annually on account of reparations. This sum will be increased in future years and will reach a maximum of 2,429 million Reichsmarks in 1965–1966. To these payments must be added large sums on account of Germany's private debts to foreign countries. It is well known that, in the absence of other source of income, Germany was forced to borrow abroad in recent years large sums on long-term and short-term account in order to balance her international payments. The deficit in the balance of international payments, amounting to 17,000 million Reichsmarks, composed of about 10,000 million Reichsmarks paid in reparations and interest charges and of an import surplus of merchandise of 7,000 million Reichsmarks, was covered by about 7,000 million Reichsmarks in long-term loans, from 2,000 million to 3,000 million Reichsmarks in direct foreign investments in German enterprises, and about 8,000 million Reichsmarks in short-term credits.

Official estimates place interest payments on long-term loans at 676 million Reichsmarks in 1929, as compared with 209 million Reichsmarks received from German long-term investments abroad. For the present these figures mean a certain annual deficit in the balance of payments of about 2,500 million Reichsmarks on account of reparations and interest charges. In the long run, with the exception of merchandise exports, Germany has no means of balancing her interna-

[1] Translated from German by the National Industrial Conference Board.

tional payments, for the process of covering her deficits by means of foreign loans is limited, even though it cannot be dispensed with in the near future. The payments on account of services are nearly balanced with a relatively small net income in favor of Germany. If Germany does not wish to sell her most important industrial enterprises to foreign capitalists—a development which would shift the risk of debt payments on foreign countries—she must increase her exports of commodities to such an extent that the surplus of exports over imports will be sufficient not only to pay the 17,000 million Reichsmarks of incurred debts but also to balance the sum of 2,500 million Reichsmarks annually in new obligations in order to make possible final liquidation of her debts.

In recent years the German merchandise trade undeniably shows a development that may be interpreted as tending toward a favorable balance. The following figures show that the largest import surplus so far was noted in 1927; in 1928 it declined to less than a half, and in 1929 there was a slight export surplus. In the first half of the current year there was an export surplus of half a billion Reichsmarks.

TRADE BALANCE

Excess of imports (−) or of exports (+)

Year	In Million Reichsmarks
1913	−673
1925	−2,322
1926	+860
1927	−2,847
1928	−1,204
1929	+47
1930 first half year	+503

These figures might be interpreted as indicating a continuous and consistent development. Yet, it would be erroneous to conclude definitely from these figures that Germany is already on the way to achieving an export surplus which will cover her obligations. It is important to keep in mind the trend of exports and imports in recent years, classified according to commodity groups.

The figures in the accompanying table reveal that the very favorable trade balance in the current year is not due to an increase in exports but to a decline in imports. Exports were smaller in the first half of 1930 than during the corre-

EXPORTS
In million Reichsmarks

Year	Foodstuffs	Raw Materials and Semi-Manufactures	Manufactures	Total Merchandise
1913	1,070	2,274	6,746	10,097
1925	520	1,996	6,753	9,290
1926	504	2,732	7,154	10,414
1927	441	2,608	7,723	10,801
1928	631	2,704	8,701	12,301
1929	701	2,926	9,832	13,482
1930 first half year	261	1,316	4,602	6,206
IMPORTS				
1913	2,808	6,280	1,392	10,770
1925	4,023	6,212	2,005	12,362
1926	3,571	4,948	2,363	10,001
1927	4,326	7,192	2,539	14,228
1928	4,203	7,244	2,459	14,001
1929	3,817	7,205	2,263	13,435
1930 first half year	1,639	3,025	979	5,703

sponding period of the preceding year. Imports declined to a much greater degree, particularly raw materials and semi-manufactures as well as manufactures, and also foodstuffs. The decline in the imports of raw materials reflects in part the decreased demand by German business due to the serious business depression that has affected Germany as it has other important industrial countries, and it reflects also in part the decline in the prices of raw materials evident in the world markets recently. As is well known, however, the decline in the prices of manufactures lags considerably behind the decline in the prices of raw materials. This explains the fact that, although there was a decline in German exports of manufactures, which constitute three fourths of all German exports, the decrease was smaller than the decline in the imports of raw materials. It may be possible that the maintenance of German exports of manufactures will depend upon further price declines. Such a decline in prices might result if, in consequence of business depression in the important industrial countries, there is no domestic market for the merchandise of the respective countries and such merchandise is offered in the world markets at lower prices in competition with German goods. This, however, applies equally to Germany.

The increase in German exports in recent years may be

partially explained by the fact that the domestic demand fell off considerably because of economic depression and the surplus merchandise had to be sold in foreign countries. Very frequently this was accomplished only at a sacrifice in prices. The question arises, however, whether the German export trade has not reached the point at which no further price cuts are possible. It must always be kept in mind that German production costs are considerably less flexible because of larger burdens placed on industry as compared with those in other countries, so that the margin of profits is not large enough to allow any narrowing without harmful results to the industrial enterprises. At the moment when German industry can no longer compete with foreign countries through lower prices, exports of German manufactures will undoubtedly decline. Furthermore, important countries which are purchasers of German goods are not reducing their tariffs in spite of all international conferences and public discussions in all countries aimed at the removal of trade barriers. On the contrary, these countries are further increasing their tariffs. This leads to further limitation of the mar ket possibilities for German goods.

The fact that the industrialization of the world continues, of course, means an improvement in the possibilities of marketing German goods, inasmuch as it would mean an improvement in the exports of German production equipment, particularly machines. In spite of a general decline in exports, exports of German machinery rose to 610 million Reichsmarks in the first half of 1930 from 553 million Reichsmarks in the corresponding period a year ago, a figure never before reached in the history of German exports. One must not lose sight of the fact, however, that the international situation relating to the manufacture of goods will undergo further changes inasmuch as other countries will manufacture goods by means of exported German machinery, and these commodities may compete successfully with German manufactures because of protection granted by high tariffs. In view of the fact that there are still vast areas in the world that may become industrialized, the dangers to the exportation of consumption goods which might result through increased industrialization should not be underestimated. The

fact, however, that German exports of production goods increase much faster, that is, remain much more stable, than those of consumption goods, reveals certain clues to the future development, and this should not be overlooked in economic considerations.

The first prerequisite for a development of German exports that will result in a final settlement of German political and private debts is a sound development of the entire world economy which will bring about a decline in competition in the world markets and also further the accumulation of capital in foreign countries that may be invested in German production goods or in other manufactures. Germany's exports depend greatly upon the economic development in other countries because of her intimate relationship to the world economic system. It is a well-known fact that adverse business conditions in individual industries engender the desire for increased tariff protection. It may be hoped, therefore, that the serious world economic depression existing since last year may soon become ameliorated. This would undoubtedly have favorable effects not alone on the exporting industry in Germany. The noteworthy decline in the prices of raw materials should also be interpreted from this point of view. This decline, on the one hand, signifies cheaper imports for Germany, which is primarily an importer of raw materials, and, therefore, a relief to the trade balance on the import side. However, a general structural lowering of the world price level might entail serious consequences for Germany, for the resulting increase in the purchasing power of money would require correspondingly larger exports of commodities in order to cover the German debt payments, which are expressed in gold.

The preceding discussion, which touched only some of the aspects of the problem, has probably demonstrated that no exaggerated optimism should be entertained in regard to the development of the German export trade as well as the present German trade balance, that extreme caution must be exercised, and that the special circumstances under which the recent export surpluses have been obtained must be taken into consideration. That it is essential for Germany to have an excess of exports over imports at all events and the reasons

therefor have been shown at the beginning of this discussion. The recognition of this relationship has recently raised the question all over the world whether the present international debt settlement is really in the interest of a sound world economic development. The fact that Germany can pay only in goods or services cannot be contested economically, for it is impossible that the method of paying by means of loans followed hitherto can be continued indefinitely. Export surpluses may be obtained by increasing exports and decreasing imports.

The limitations to increased exports have been pointed out. It is possible that these limitations are elastic and that if the general well-being of the world increases they may be extended so that Germany may dispose of the goods necessary to cover her debt payments. The opposite results, however, may be achieved. At any rate, the necessity to increase exports means an artificial stimulus to the German export industry with its natural consequences to industry of other countries. If the other countries protest against it and refuse German exports, the payment of the debts will become impossible unless Germany attempts to decrease imports. A great part of the German import trade is inelastic and absolutely necessary to supply the people. This is particularly true of raw materials as well as of certain groups of foodstuffs. There is no question, however, that there are large reserves in the import trade in the event that the export surplus cannot be achieved solely through exports. If Germany should cease to be a customer for important commodities, international competition would undoubtedly become keener, similar to that which would result because of a forced increase in exports. Germany is a customer of no small account.

The present relationship between international indebtedness and the German export problem is a very close one, as has been demonstrated by these remarks, and, therefore, to ignore the resulting world economic-political exigencies might entail serious harm not only to the German economy but also to the economies of other countries.

Berlin
August, 1930

ITALIAN ELECTRICAL INDUSTRY

Report of Mr. Alberto Pirelli, President, Pirelli of Milan, Milan

ITALY has pioneered in the field of electricity. Apart from what has been contributed to science by such men of genius as Galvani, Volta, Ferraris, and Marconi, there is much additional evidence of the achievements and traditions of the Italian electrical industry. The first undertaking in Europe for the production and distribution of electrical energy was the "Edison" Corporation established in Milan in 1882.

An American, well known to the electrical world of the United States, John W. Lieb, came to help start this enterprise. He left here many friends who were deeply grieved by his recent death. At present the Italian "Edison," which has developed into a combine of electrical undertakings, ranks first among such enterprises in Europe both as to the amount of capital investments and as to the quantity of energy distributed.

In 1884 the first distribution of electrical energy with alternative current was put in operation at Tivoli, near Rome, two years earlier than Great Barrington's distribution in the United States.

The year 1890 saw a line 26 kilometers long, at 5,000 volts, for the transmission of energy from the Aniene Falls, Tivoli, to Rome, and 1896 a 32 kilometer transmission line, at 15,000 volts, between Padermo d'Adda and Milan. These are small distances and low voltages, if compared with the present lines which are built also in Italy at over 200,000 volts, but, at the time, were plucky attempts indeed both from the technical and from the industrial point of view.

In the year 1920 the first underground cable working at 140,000 volts was laid near Milan.

Evidence of the progress made by the Italian electric industry is given by the following data, which concern in-

stalled capacity and total output and are related both to hydraulic and thermic plants:

End of	Installed Capacity in Kw.	Yearly Average Increase Per Cent	Year Ended December 31	Total Output in Million Kwh.	Yearly Average Increase Per Cent
1898	90,000	—	1898	—	—
1908	300,000	13	1908	1,000	
1915	900,000	17	1915	2,620	15
1922	1,360,000	5.7	1922	4,281	7.3
1929	4,310,000	18	1929	10,800	14.1
1930[1]	4,500,000	4.4[2]	1930[3]	11,100	—

[1] June 30, 1930.
[2] Six months only.
[3] Year ended June 30, 1930. Production for the first 6 months of 1930 was Kwh. 5,390 million, an increase of 4.55% over the production for the corresponding period of 1929.

Two factors are making for the lower percentage of increase of the last half year: (1) As to installed capacity, the great development of recent years could not have gone on indefinitely; it is now necessary for the already existing plants to be more intensively utilized; (2) As to output, the world-wide economic crisis is making itself felt to a certain degree also in Italy, so that, while it is not surprising that the rate of increase should be lower than in preceding years, it is remarkably encouraging that there should still be a substantial increase as compared with the same period of the preceding year.

Fifty-nine per cent of installed capacity is found in stations having a power of more than 10,000 kilowatts; such stations number only seventy-four, equal to seven per cent of the total number.

Out of every 1,000 installed kilowatts, 749 belong to Northern Italy; 134 to the Center; 92 to the South; 25 to the Islands.

It is well known that Italy, having no coal mines and practically no oil, has been among the leaders in the development of hydro-electric plants, a development made possible by the water resources of the Alps and the Apennines. Such has been the activity in this field that at the beginning of 1930 the total capacity of thermic plants did not reach one fourth of total capacity of hydro-electric plants and was only just a little more than one fifth of total power-producing

capacity. The latter proportion has followed a downward trend since the beginning of the century, when it stood at one half of total capacity. Now the bottom seems to have been reached, and the reversal of the trend may be expected sooner or later, as will be seen.

If we consider production instead of installed capacity, we find that in Italy hydro-electric production in 1928 was 97.9% of total, and 95.2% in 1929. In this respect Italy takes the third place among European nations. Practically all of the electric energy produced by Norway and Switzerland is of hydraulic origin, while outside Europe only Canada has a percentage higher than Italy's, namely, 98.6%.

In order to judge to what extent Italian electrical industry has developed as compared to that of other leading countries, some data on hydro-electric installed capacity and per capita production may be interesting. As to the former, at the beginning of 1930 Italy ranked third in the world, the capacity installed in its hydro-electric plants being 3.5 million kilowatts, against 10.5 million kilowatts in the United States, and 4.2 million kilowatts in Canada; Italy held the first place in Europe, the second place being held by France with 2.1 million kilowatts. Of course, Italy would not compare so favorably with other nations, if total installed capacity including thermic were considered. In the following table

PRODUCTION

During the Calendar Year 1928

Country	Kwh. per Capita		Kwh. per Km.[2] Hydro-electric
	Hydro-electric	Total	
Norway	2,860	2,860	24,800
Canada	1,619	1,642	1,672
Switzerland	1,314	1,314	128,335
Sweden	590	786	8,027
United States[1]	371	928[1]	5,714
Austria	260	366	20,753
Italy[2]	248	260[2]	33,200[2]
Japan	151	169	24,634
France	144	319	10,680
Germany	56	437	7,608
Great Britain	4	322	845

[1] Production per capita and square kilometer in 1929. The percentage of hydro-electric production in 1928 is applied to total production in 1929.

[2] Production per capita and square kilometer during the calendar year 1929.

the data on per capita production have been supplemented with data referring to production per square kilometer, the latter data being also interesting when one considers hydro-electric power and its distribution.

On the basis of the above data, we can say that much has still to be done before Italy attains the high production per capita prevailing in other countries, even if only hydro-electric energy is considered. But, if we come to production of hydro-electric energy per square kilometer, we see that Italy ranks second in the world after Switzerland, which indicates to what extent its hydraulic resources have been utilized. If we take only Northern Italy, the quantities produced per capita and per square kilometer are much higher: per capita hydro-electric kilowatt hours 382, total kilowatt hours 395; per square kilometer hydro-electric kilowatt hours 58,000, total kilowatt hours 59,800.

In 1929, about 250 million kilowatt hours were imported from Switzerland, national production being insufficient to meet consumers' demand. National production is really somewhat greater than appears from the above data, since the latter do not make full allowance for the electric energy produced by industries for their own use; but the latter quantity is not so important as in other countries. In fact, one of the peculiarities of the Italian electric industry, as compared with similar industries of other European countries, is that the most important industries buy the electric energy they need from the electric enterprises instead of producing it themselves. This fact has had a strong influence upon the development of the Italian electrical industry.

The quantity consumed does not correspond exactly to the quantity produced plus the quantity imported owing to the percentage of energy that is lost during transmission; the loss in question is necessarily high owing to the long distances separating the hydraulic plants from the consuming areas.

The presence of many high mountainous regions, the abundant rainfall over certain sections of the country, and the lack of coal mines were the chief determining factors in the quick development of hydro-electric plants in Italy. On the other hand, Italy has a very difficult and complex hydro-

logical system, the regularization of which through a network of canals would have been difficult and costly. A network of electrical transmission lines has solved the problem of the utilization of the wealth of water for the benefit of the whole country.

The length of the lines for the transportation of energy, some of them at tensions exceeding 200,000 volts, is 70,000 kilometers. In 1927 there were, on an average, 225 meters of transmission lines per square kilometer of area, which indicates a development six times greater than in the United States. Today Italy has perhaps the most efficient system of interconnection existing in Europe, a result achieved through the foresight of private initiative.

An analysis covering practically all the quantity of energy consumed has shown that in 1929 11.6% of that quantity was used for lighting and heating; 8%, for traction; 54.2%, as motive power; 26.2%, in metal and chemical industries. In the period 1925–1928, production increased 2.5 billion kilowatt hours, of which about three fifths, or 1.5 billion, were absorbed by metal and chemical industries and only the remaining two fifths were taken up by the three other consumption classes.

As to railway electrification, 2,900 kilometers of Italian railroads have been electrified, and, if we consider only the proportion of State railroads which have been electrified, we find it to be more than 10%, which is one of the highest percentages in the world.

Gross earnings from sale of electric energy in 1929 were 2,464.6 million lire, which means an average of 0.302 lira per kilowatt hour and about two and one half per cent of total national income. This seems to indicate that the expenditure for electric energy does not weigh too heavily upon the Italian national balance-sheet, as compared with the advantages brought about by the use of electricity.

As a whole, electric energy is sold at a price which, in comparison with the pre-war price, has increased less than the general level of commodity prices.

Another peculiarity of the Italian electrical industry, due to its prevailing hydro-electric character, is that production costs of energy are highly influenced by the cost of money,

while in other nations the cost of coal is the chief factor; further, hydro-electric production is remarkably unelastic, hence the necessity of a wide variety of prices in order that all the supply may be disposed of. This latter fact has made for a larger use of electric energy.

There are five big private groups controlling the production and distribution of electricity in peninsular Italy: the largest is the "Edison" group operating mainly in Lombardy, Milan, and Liguria, Genoa; second largest is the "S. I. P." mainly in Piedmont, Turin, while the "Adriatica" distributes in the eastern districts, Venice, and controls the distribution at Bologna; the "Centrale" controls the distribution in Tuscany, Florence and in Lazio, Rome; and the "Meridionale" in all the South. There are other concerns distributing in Sicily and Sardinia. The above mentioned companies are partly direct producers of electricity and partly hold the control of operating companies, and there are several other concerns which are exclusively holding companies having an interest in a number of electrical operating companies.

In 1928, 9.3% of the hydro-electrical undertakings were under public control; 85.9% were private; 4.8% were of a mixed type.

At the beginning of 1930, thirty-four hydro-electric generating stations were under construction for an annual producing capacity of 2 billion kilowatt hours; they are endowed with water reservoirs having a capacity of 373.5 million cubic meters.

It is well known that as a consequence of the downward trend of the prices of fuel to pre-war levels, of the increasing cost of building hydro-electric plants, it is now possible for a kilowatt hour, thermically produced, to compete more successfully than hitherto with a kilowatt hour hydraulically produced, provided the steam generating station is located appropriately, and the consuming district is close to it. In Italy the problem is receiving attention.

It has been calculated that the quantity of energy which nature supplies in the rain areas of Italy amounts to about 240 billion kilowatt hours, equal to 0.8 kilowatt hour per

square meter. This is an upper and quite theoretical limit, which will never be reached however great the progress of hydro-electric technique may be in the future.

From a technical point of view, presumably only about 25% of the said amount, 60 billion kilowatt hours or 0.2 kilowatt hour per square meter, can be harnessed, but from the point of view of the cost of production—as compared to the cost of a kilowatt hour thermically produced—the amount must probably be halved. It is thought that future profitable utilization of hydro-electric resources will, therefore, result in a production of approximately 30 billion kilowatt hours, of which 21 billion, 0.265 kilowatt hour per square meter, would be obtainable from the Alpine areas, 9 billion, 0.054 kilowatt hour per square meter, from the Appennines and a little more than 1 billion, 0.021 kilowatt hour per square meter, from the Islands.

Such being the case, if consumption of electrical power in Italy were to increase at a rate of even less than about 10% per year, which has been the average rate of increase during the last ten years, and if only a small part of the increase were taken up by thermic stations, all such hydraulic resources of Italy as it is technically possible and economically profitable to utilize will have been harnessed within a period of ten to fifteen years.

Let me add immediately that these calculations may possibly be contradicted in practice. As a matter of fact, the efforts of each individual enterprise to make the best of the resources of the area it is exploiting may go a long way toward increasing the total output. On the other hand, while up to now the general rule has been to consider and use thermic stations as a reserve to take up the peaks of consumption, very likely in some cases it may be found more economical to operate continuously the thermic stations and to use the water stored in the hydro-electric reservoirs to take up the seasonal increases or the daily peaks, thus obtaining a very efficient running of the combined thermic and hydro-electric plants.

Anyhow we have before us a long period during which it will be possible and profitable further to develop the hydro-electric resources of our country. The above figures, if they

point to the rising of a problem which will need to be solved in the more distant future, indicate also that a margin is still left that will allow our present hydro-electric production to be profitably trebled. And this means a potential investment of something like $2 billion.

As to the subsequent period, when practically all the hydro-electric resources will have been taken advantage of, certainly the fact that Italy has practically no coal and small amounts of lignites (we can reasonably expect the Italian mines to produce annually 3 million metric tons of lignite, of which 2 million could be devolved to the production of about 500,000 kilowatt hours) will open a serious problem.

In Italy we are trained, however, to face difficulties. The country is not rich in natural resources, yet it has had a glorious past and in the present is fast making headway. The great development and power of Venice in past centuries, although the city was built on marshes and had no natural resources of any kind, is only one of the several striking examples that are often cited to prove that the energy and resourcefulness of the people are spurred by the difficulties which have to be overcome and can go a long way to make up for the lack of natural wealth.

Milan
August, 1930

THE POSITION OF THE SHIPPING INDUSTRY

Report of Mr. E. Heldring, President, Royal Netherlands Steamship Company, Amsterdam

AMONG the branches of industry which suffer most from the present world-wide depression, shipping vies with agriculture for the first prize. It has never been flourishing since the boom-days immediately following the War and was carried on for a number of years after the great crisis of 1920–21, except in the case of some passenger-lines, at a loss either for the owner or for the taxpayer. It received a further blow through the non-recurrence in 1929 of the annual autumn demand for room, consequent on the abundant European crops which made the Old Continent look indifferently on the supplies from the New World, whereas the extreme slackness of business in all commodities prevailing ever since did the rest.

Although all sorts of considerations, apart from profit-making, push vessels to sea long after their employment has ceased to be profitable, cruel necessity has forced owners to lay up some 5 million tons of shipping out of 58 million tons of the world's tonnage, not including American lake-shipping and tank-steamers which have their own freight market. Yet, the fact that 8½% of the world's tonnage is temporarily withdrawn from the market has failed to produce up to now any effect on the level of freights. It sank to the lowest point in July last, when the index number was 88.1, as compared to 100.3 in July, 1929, and 116.3 in 1913. July is generally the slackest month of the year in the movement of goods, and so we see a slight recovery to 90.8 in the present month, August, which may be the precursor of a further improvement in the autumn if Europe, as looks likely, has bad crops and has to import cereals, but it cannot be more than a passing flurry so long as any number of idle ships are available to satisfy any expansion of demand. There may be a general improvement in shipping when business in raw mate-

rials revives, but there does not seem to be much reason to expect that it will soon return to prosperity, unless the breaking up of obsolete tonnage continues at the present rate and little tonnage is built.

The average yearly breaking up amounts to 1⅓% of the tonnage afloat; and the average loss, to 0.71% for the period 1923 to 1929. The breaking-up figures vary a great deal; viz.: 1921, 77,500 tons; 1929, 944,000 tons; total 1921–1929, 6 million tons. The total tonnage lost through casualties during 1923–29 was 3.1 million tons. As to construction, only the last months of severe depression have brought about an appreciable reduction in the laying down of keels; 581,000 tons were commenced in the second quarter of 1930 as compared with 857,000 tons in the first quarter. Up to the last quarter of 1929, the tonnage commenced was rising. The world figures of ships launched were as follows:

	Tons
Third quarter 1929	715,000
Fourth quarter 1929	843,000
First quarter 1930	653,000
Second quarter 1930	887,000
	3,098,000

Experience has shown, fortunately for the shipbuilder and unfortunately for the owner, that a short prevalence of a better freight market produces a number of building orders, the execution of which suffices to swell the available tonnage beyond the possibility of maintaining the market in a state of equilibrium. The rapidly increased technical qualities of the commercial vessels, such as turbines, oil-burning, motors, electro-turbines, new designs in rudder, stem, and poop, rendering the working more efficient, tempt the owner, or the manager who makes his living on the gross income, to venture his capital again and again in fresh orders. These improvements go a long way in enabling him to operate the steamer at reduced cost, but, if we take into account that freights are 23% down since 1913 and expenses, for one and the same steamer, about 60% up, then we realize that the gap cannot be filled even for the working of a modern cargo vessel.

But it is not only the amazing courage of owners and investors that is responsible for much unnecessary growth of

the world's tonnage; the policy of a great many governments is at least as important a cause of its unjustifiable increase. In some instances, money is advanced by the state on easier terms than can be obtained privately for the construction of vessels with the object of reducing unemployment in the ship-building industry. In other cases, the stimulant assumes the shape of premiums paid by the state on the building or a subsidy granted to regular lines. In the latter case, the object is not so much social as economic; it is held that the economic interest of the country demands the increased possession of shipping tonnage and the maintenance of regular lines from and to national ports and justifies considerable government expenditure for the purpose. Patriotic spirit and the spirit of international rivalry—kindred to the one which is at the bottom of international beauty shows—play their part, and more luxurious vessels are being built than cool business consideration would warrant.

The following table gives the growth of the total tonnage of ocean-going steamers and motorships, excluding tank-vessels, of the most important countries, in million tons:

Country	1898	1914	1920	1930	Percentage of Increase since		
					1898	1914	1920
Great Britain and Ireland including Dominions	11.2	20.5	20.1	23.1	106	12.5	15
United States	1.2[1]	2	12.4	10.6	783[2]	430	−15
Japan	0.45	1.7	3	4.3	855	153	43
Germany	1.64	5.1	0.42	4.2	156	−18	900
Norway	0.62	2	2	3.7	500	85	85
France	0.97	1.9	3	3.5	260	85	17
Italy	0.44	1.4	2.2	3.3	650	136	50
Holland	0.36	1.5	1.7	3.1	760	107	82
Sweden	0.33	1	1	1.6	385	60	60
Greece	0.15	0.83	0.5	1.4	833	70	180
Spain	0.54	0.89	0.94	1.2	122	36	30
Denmark	0.30	0.78	0.72	1.1	255	43	53
Other countries	1.3	3.5	3.84	4.5	246	30	17
Total	19.5[1]	43.1	51.8	65.6	236[2]	52	27

[1] These figures include American lake-shipping, the separate figure of which for 1918 is not available. For 1914 it is 2.26 and for 1930, 2.46 million tons.

[2] These percentages should be higher, as the American figures for 1898 include lake-shipping.

Whereas the total tonnage increased 236% in the sixteen years preceding the War, the increase amounted to only

52% since 1914 and to 27% since 1920. The world's tonnage decreased considerably during the first years of the War in consequence of destruction and suspension of building, but this was resumed regardless of expense when rates soared up to the clouds, and the close of the War found the world with 20% more tonnage than it had had in 1914. The 27% increase since then is nominal, as is the 52% increase since 1914; potentially it is much greater, as all the vessels built in the last period are superior to the older ships both in speed and in their equipment to handle cargo quickly. Against this, there is an increase in the volume of world trade which the League of Nations puts at 23% for 1928. The increase of sea-borne traffic is even less.

The distribution of shipping among sea-faring nations was considerably modified by the issue of the War, which left the Allies with German and Austrian tonnage seized during hostilities and compelled the Central Powers to surrender their remaining passenger and freight vessels of greater capacity than 1,600 gross registered tons to their former enemies. They ceded in all some 4.63 million tons to the Allies, and, in addition, Germany undertook to build some 200,000 tons yearly during five years for them. In this way the mercantile marines of the Allies were considerably increased, so much that, together with the amount of new shipping completed in those years, they had far too much tonnage on their hands and had to re-sell a considerable amount of transferred German shipping property, partly back to the Germans.

At the present moment, ten years after these violent changes took place, the main characteristics of the distribution of shipping are the following: Great Britain still leads, although its share in the world's tonnage has declined from one half to less than one third. The United States, which had increased its mercantile marine during the War on a scale far larger than that of any other country, both as compared to 1898 and 1914, found it a somewhat embarrassing asset. After various experiments, commencing with state-operation, which entailed a loss of $235 million, and now settled down to private ownership with heavily subsidized lines, the United States had to break up useless tonnage, so that its sea-going fleet measures less today than it did ten

years ago. Japan, Greece, Holland, Italy, and Norway have also risen enormously in shipping importance during the last generation, but in absolute figures they are far behind the United States of America. Since the end of the War most nations have been building extensively, Germany ranking first among them, although the pre-war figure has not yet been reached. In proportion to their importance, Greece, Italy, and Holland have increased their fleets in that period on a larger scale than other nations except Germany.

State support has played a considerable part in bringing about the present position. It has been granted on various lines and to various extents in the different countries. The United States of America mercantile marine has been almost entirely built up for state account in the latter part of the War or by heavy subventions, all lines being maintained at the price of generous subsidies. Germany pays no subsidies, but endowed the post-war rebuilding plan of its mercantile fleet with 4 billion marks, whereas the subsequent annihilation of the old mark has enabled shipping concerns to reassess the book value of most of their units at low figures. In Japan, France, and Italy practically nothing is undertaken in the way of building vessels and running regular lines without state support. The same applies to Spain, but without corresponding results in the size of the national fleet. Denmark has been prudently, and Norway and Greece[1] have been rapidly, extending their mercantile marines without state interference. No official support, except in the case of some state loans, amounting in thirty years' time to $5 or $6 million in all, some of which have been paid back, is responsible for the large extension of the Dutch fleet. In Sweden, as in many of the other countries mentioned, cheap state credit has been granted to encourage shipbuilding, and this is also the line adopted in Great Britain and northern Ireland. It is also reported that the British Government will take £3 million insurance risk, being half of the value of a super-liner of 75,000 tons which the Cunard Line is about to construct, but which the marine insurance

[1] This country has raised its tonnage chiefly by buying old vessels from other countries.

market cannot wholly absorb. A duplicate of the giant vessel may soon follow.

It is interesting to note how different is the part which shipping plays in the national economy of each country. Whereas Norway has 1,147 tons of shipping per thousand population, Great Britain has 439 tons, Holland 375, the United States 120, France 82, Italy 79, Japan 67, Germany 64. The figures are naturally dictated by the length of the coast line and the maritime situation. The relatively high figure for the United States of America is explained by tremendous state effort.

Circumstances vary too much in the different countries to enable one to draw any generally applicable conclusion from these results relating to the effectiveness or the necessity of state help. There can be no doubt, however, that the aggregate influence on the financial position of shipping has been baneful. Whether there would have been overproduction without state interference is difficult to say, but little is necessary to create overproduction in any line of business, and the slacker the demand is, the smaller the quantity which may cause a slump. In any case, state aid in shipping has been more than the drop that caused the bucket to flow over. After the War, during which the wholesale destruction of tonnage justified and necessitated the rebuilding of the commercial fleet even by the states, the tendency towards national self-sufficiency, so evident in regard to commodities, spread to shipping. Although the amount of tonnage delivered in the years following the War was too large to be absorbed by the demands for transportation, governments vied with each other in encouraging shipbuilding and subsidizing lines. The effect on general shipping is that more and more cargo is taken away from the general trading vessel, the tramp steamer, of which the position becomes more difficult every day. Also the cheap credit system practiced in many states, regardless of the question whether the money spent was to be otherwise useful than in preventing unemployment in the building yards, has unduly swollen the number of freight steamers. As to the passenger-trade, one wonders when the crash will come. On the North Atlantic, only about one third of the available

passenger room is occupied on the average, and yet ever larger and costlier floating palaces, often partly built with money supplied by the public Treasury, appear on the already congested routes. The same applies, proportionately, to nearly all other spheres where there is a regular traffic of travelers.

The problem of bringing about a situation approaching a state of equilibrium between the quantity of goods and passengers offered and available shipping room has often been discussed at conferences of shipowners and in articles, but nothing has been achieved. There have been schemes of voluntary laying-up and of scrapping old steamers instead of selling them to other owners, who may work them cheaper, depressing the freight market in doing so. Wishes have also been expressed to the effect that the maritime nations should get together in order to study the possibility of reducing state support.

In my opinion the ship-owning community is too heterogeneous to offer any chance of success to a scheme of universal agreement to impose upon oneself a momentary sacrifice in the hopes of being rewarded by subsequent better yields. Economic mistakes have to work their own healing; shipping as a business proposition has to be bad for a long time, so that the world tonnage will be reduced through lack of investors and financially weak owners will disappear. Of course, this process is retarded by state support, too often available when a shipping concern is in difficulties. I do not see that there is at present the least likelihood of governments agreeing internationally on limitation of state support, or even of taking up the problem. Vested interests, depending upon official support, are very powerful; there are cases in which the economic or the imperial interest of a country justifies such support to a certain extent, but it would be extremely difficult to circumscribe the grounds and limits of justification, as conditions vary in every country. This may become possible when the public purse can no longer afford the outlay which international competition will drive up sooner or later to a ruinous level, but the present time is not ripe for any clear perception of the problem. Politicians, parliaments, and the public do not yet see that in

maritime matters government interference is bound to lead to grotesque and ridiculous, if not dangerous, results. Meanwhile, few shipping shares will be a safe investment, for, while shipping room is being artifically increased, tariff walls restricting the volume of cargo to be carried are continually raised.

Amsterdam
August, 1930

ECONOMIC CONDITIONS IN SWITZERLAND DURING THE FIRST HALF OF 1930[1]

Report of Mr. Louis Dapples, President, Board of Directors, Nestle and Anglo-Swiss Condensed Milk Company, Vevey

SWITZERLAND, a highly industrialized country, feels keenly the effects of the world economic crisis. Certain indications showed already at the end of 1929 a slackening of its commercial and industrial activity, and this situation has been visibly aggravated since then. It can be seen immediately from the following table of Swiss foreign trade:

	Francs
Imports	
First half 1929	1,309,000,000
" " 1930	1,286,000,000
Decrease in 1930	23,000,000
Exports	
First half 1929	1,013,000,000
" " 1930	924,000,000
Decrease in 1930	89,000,000

This large decrease indicates a disquieting lack of employment in several branches of the activity of the Swiss people and causes a very understandable uneasiness to the public, because the scourge of unemployment, from which Switzerland has been free for many years, has reappeared in certain industrial sections and threatens to spread.

Meanwhile, business on the domestic market continues to be active enough, owing to the strong economic structure of the country, the confidence which business executives have in better times, and the excellent steadiness of financial and banking operations. That is why the number of unemployed workers is not yet high and reached only 9,000 people at the end of June, 1930. Still, this is an increase of about 5,000, as compared with a year ago.

Swiss agriculture continues to complain of many evils: insufficient yield in the production of milk, competition of

[1] Translated from French by the National Industrial Conference Board.

foreign products, and scarcity of farm labor. Attentive examination of these different points of departure allows us to note some interesting facts.

Statistics of the foreign trade of Switzerland in 1930 classify the principal industries of the country in two groups of very unequal importance: on one hand, the very small number of those which are exporting more than a year ago; on the other hand, that very much more imposing number of industries for which exportation shows a decrease.

In the first group are the industries manufacturing shoes, books, silk, rayon, straw goods, minerals, machines, vehicles, instruments, and apparatus.

The second group includes industries producing chocolate, condensed milk, cheese, hides and skins, cotton thread and cloth, silks and silk ribbon, worsted and woolens, candy, hosiery and knit-wear, iron, steel, aluminum, clocks, chemical products, and aniline dyes.

In the first group, the manufacture of machines is, more than any other industry, distinguished by a large total amount of foreign business, 118 million francs in 1930, as compared with 113 million in 1929. Especially notable is the increase in construction of Diesel motors, which are more and more replacing steam engines for the propulsion of ships. The firms which are specializing in this kind of machinery, like those which make surgical instruments, typewriters, electric adding machines, and parts for music boxes, are very busy, although the gramophone industry, so prosperous in recent years, has begun to decline. A large amount of business is also shown by the manufacture of straw products, of which the exportation increased from 21 million to 28 million francs in 1930.

On the other hand, in the group of industries decreasing in exports, that of clocks is most seriously affected. Its exports decreased 18 million francs in the first half of 1930. The general crisis that touched this industry has made necessary a reduction to almost thirty per cent of the normal work period. A large part of this depression may be attributed to the American adoption of a new protective tariff. The whole textile industry, that of embroidery and that of silk, is equally depressed, and agriculture is deeply affected by the

constant decrease in exports of cheese, a commodity that has to compete with rapidly developing foreign manufactures.

It is impossible not to mention here the great feeling which took possession of industrial and agricultural circles at the news of the American adoption of the new protective tariff. Popular assemblies gathered at Bienne, St. Gall, and Geneva, raised protests, passed resolutions, and demanded the intervention of the state as the established organism charged to seek the way to reply with diverse measures to the raising of the American duties.

In order to understand this agitation, it must be known that of a total export valued at 2,000 million francs a year, Switzerland sends to the United States of America 207 million francs worth of goods. In other words, 10% of Swiss exports is menaced, in four particularly vital lines, those of clock-making, embroidering, shoe-making, and the trade in cheeses. The situation is especially serious for clock-making, of which 16% of the exports go to the United States. As the duties on watches are increased 300%, the American market becomes inaccessible to the Swiss watch industry, and it is estimated that of the 48,000 workers who are employed in watch-making 7,000 to 8,000 will find themselves without employment. It may be imagined that the industrial companies of this country, already deeply tried by the world crisis, are having a great deal of difficulty in selling their manufactured articles in foreign markets, where competition on a price basis with foreign manufactures is felt enormously. Without doubt Switzerland is not an important market for the United States of America; nevertheless, exchange of commodities between the two countries results in an active balance of 32 million francs in favor of the United States, inasmuch as Switzerland imported 239 million francs of American products in 1929, as against an export from Switzerland to the United States of 207 million francs. A small but faithful customer like Switzerland expects a kinder treatment at the hands of its purveyor.

On the other hand, we do not ignore here the fact that the United States suffers like the rest of the world from a crisis of overproduction or of underconsumption, which brings unemployment in numerous and important industries. That

great country believes that it has found a remedy for the evil that torments it in a very sharp increase of its protective tariff, in order to keep its domestic market for domestic producers. This is obviously its right, but one may ask if in so doing the American legislators have chosen the best course. The future may happen to disappoint their hopes by limiting in the extreme the possibilities of exporting by American industry. In effect, there is likelihood that some other states, especially Great Britain, burdened with 2 million unemployed, will be inspired by this example to resort in their turn to intensive protective tariff, which will make more difficult, if not impossible, unless the situation is alleviated by means of reciprocal tariffs, the admittance to foreign markets of American manufactured products. Now Great Britain, for example, with $700 million of American merchandise imported each year, is of obvious importance in the balance of trade of the United States of America. Therein lies an unknown factor which might contain some disagreeable surprises for American industry and trade.

Under similar circumstances Switzerland desires a remedy for the situation by seeking new markets and lowering net costs and at the same time maintaining the reputation of quality and perfection that products of its industry have acquired. It is a very difficult task and one which momentarily darkens the horizon of industrialists and men of affairs of this country.

As in a great many other states, the lot of agriculture is the object of constant attention of the government in Switzerland. In order to come to its aid, in 1929 the Confederation granted to the different organizations occupied in the cultivation of the soil, the raising of cattle, and the production of milk a sum of 18 million francs in subsidies for sinking funds.

The difficulties of Swiss agriculture are due in large part to the uncertainty of the exports of cheeses, which declined more than 3 million francs during the first half of 1930, and also to the competition of imported butter. A special committee of the Swiss National Council has been occupied with the problem and has arrived at the conclusion that in order to clear the cheese market, which is glutted, it is necessary:

(1) To diminish the milk production by reducing the strength of the domestic herds and by devoting more of the land to the growing of grains. To favor the raising of cattle for slaughter.
(2) To improve the milk production by giving less of the concentrated fodders which lessen the value and the fine taste of cheese and butter.
(3) To lower the net cost of milk by obtaining more milk per cow and at the same time milk richer in fat substance.
(4) To lessen the production of cheese by making more butter.
(5) To improve butter production by manufacturing butter capable of competing with foreign butter.

In order to facilitate the application of this program, it was provided that additional duties levied during the month of August, 1929, on foreign butter and lard should be carried to the account of agriculture and especially of the makers of butter. As these duties produce 3.5 million francs a year and their collecting is provided for a period of three years, it is new aid of 10.5 million francs that the Confederation will lend thus to agriculture. Its assistance is equally demanded in order to prevent a decline in the price of milk.

The Swiss money market has given proof during the whole half year of a remarkable liquidity, resulting in a general fall of long-term and short-term rates of interest. On July 10 the National Bank had to lower its discount rate to 2.5%, the lowest rate since the Bank has been in existence. It is necessary to look to some years before 1900 to find similar rates of discount. With France and the United States, which had descended to this level already in May and June, 1930, Switzerland held the record for the lowest rate of discount in the world. It is true that the consideration of the Swiss exchange, which continues below par, has not been without influence in putting through this measure.

The repercussions of the international economic crisis are making themselves felt also on the Swiss money market. As a result of political, economic, or fiscal developments, a certain amount of foreign capital became free through the

abatement of business and was sent to the Swiss banks and has contributed in large part to the lowering of the rate of interest on short-term loans and to the high level of security prices. The banks today find it very difficult to invest profitably within the country the deposits of their domestic clients. This situation is not normal and could change abruptly, if, for one reason or another, the large foreign deposits were removed. Clearly, funds of a so unstable kind can be placed neither in mortgages nor in credits to public or private companies. It is natural that for their permanent investment, the reduction in interest cannot be effected with the same rapidity as the changes in the rate of discount, but must follow the slower movement of bonds and savings bank rates. The activity of Swiss stock exchanges has moved within narrow limits. This is particularly true of trading in stocks. On the contrary, the volume of trade in bonds has increased.

In summary, the economic situation of Switzerland has entered a period of uneasiness which can be of rather long duration, but one can still hope that the energy and resourcefulness of the people and of the leaders of the country will put an end to it by discovering a solution for the present difficulties.

Vevey
August, 1930

SOME ASPECTS OF DANISH FOREIGN TRADE

Report of Mr. B. Dessau, President, Tuborg Breweries, Copenhagen

DANISH trade is to a great extent based upon international exchange of commodities. The total imports and exports of the country amount to more than $225.00 per inhabitant per year.[1] For the sake of comparison, I add that the total imports and exports of the United States of America are a little less than $80.00 per inhabitant, and that the equivalents for England, France, and Germany are about $200.00, about $110.00, and about $100.00 respectively. The high figure for Denmark in this respect is due to the special development of Danish trade and industry and the commercial policy of the country.

The activity of agriculture as well as industry is to a greater extent based upon purchases and sales abroad, as Denmark has to import all its raw materials, such as coal, iron and steel, rubber, wood, oil seeds, cotton, wool, etc., and also grain and foodstuffs.

As far as the importations for the Danish industries are concerned, it is often the case that the raw materials of the original produce are imported, but for instance some branches of the textile industry import what I would term "half manufactures," which are then finished in the factories in this country.

As regards the exports from Denmark, I would like to mention that of the internal production of Danish butter six sevenths is exported. As far as the production of bacon is concerned, more than nine tenths of the total production is exported.

Among the most important exporting industries are those producing vegetable oils, cement, machinery, and ships. The development of the exports of these industries has been considerable, and the total exports are now $25.00 per inhabitant per year.

[1] Denmark has a population of 3,518,000.—Editor.

Denmark imports large quantities not only of raw materials but also of finished manufactures.

In spite of the rapidly increasing tariff in many countries in Europe and in the United States, Denmark has up till now avoided following the example of other countries, who put up a wall of protection for the national industry. Next to England and Holland, Denmark has the lowest tariff in Europe.

I believe that the figures I have given above better than many words illustrate Denmark's place in the world as buyer and seller in the international market.

I want to mention that on account of its unique geographical position, Denmark fills an important position in the transitory trade, and the Copenhagen Free Port and the important harbor of Copenhagen—"the Key of the Baltic" —have a large turnover of transitory trade in many commodities.

I call the attention to the fact that all the figures I have given above are exclusive of the transit trade.

Copenhagen
July, 1930

DANISH REGULAR SHIPPING LINES

Report of Mr. Ernst Meyer, President, Grosserer Societetets Komite, Copenhagen

OWING to the extensive coast-line of Denmark, shipping has always played an important part in the trade of the country, both domestic and foreign, and in addition Danish ships have been largely occupied in the transport of merchandise between foreign countries.

The size of the Danish mercantile marine since the year 1800 can be seen from the following summary:

SHIPS OF MORE THAN FOUR NET REGISTERED TONS

Year	Sailing Ships Number	Sail-Motor Ships and Motor Ships Number	Sailing Ships Net Tons	Sail-Motor Ships and Motor Ships Net Tons	Steamers	
					Number	Net Tons
1800	696	..	70,000	..	..	..
1879	2,953	..	203,000	..	192	44,000
1914	1,906	1,060	86,000	42,000	672	434,000
1924[1]	338	866	42,000	140,000	644	484,000
1929[1]	160	1,047	24,000	210,000	602	428,000

[1] Ships of twenty gross registered tons and over.

The above table shows that the sailing ship fleet was at its greatest about the year 1879. For a number of years, however, the steamer fleet has been the most important in the mercantile marine. Since 1911 the motor-ship fleet has developed to such an extent that at the beginning of 1929 it amounted to about fifty per cent of the steamer fleet—measured in registered tons.

At the end of 1928 the Danish mercantile marine totalled 662,000 net registered tons, corresponding to 1,096,000 gross registered tons and about 1,453,000 tons dead weight carrying capacity for cargo. These figures were made up as follows:

	In Thousand Gross Tons	
	1928	1924
Steamers	733	823
Motor ships	285	169
Sail-motor ships	50	49
Sailing ships	27	49
Total	1,095	1,090

In comparison with the size of the population, the Danish mercantile fleet is one of the largest in the world. Among the European nations only Norway, England, and Holland have a larger tonnage per inhabitant.

There may possibly be some interest in observing the distribution of the steamer and motor ship fleet between the tramp trade and the regular route services. No direct information is given on this point in the register of ships, but, by the aid of the register of shipowners and the reports received from shipowners themselves, the statistical department has arrived at the conclusion that the steamer fleet at the end of 1924, including motor ships of more than 500 gross tons, without sails, was distributed as follows:

Tramp Trade			Regular Service		
Number	Gross Tons	Dead Weight	Number	Gross Tons	Dead Weight
302	574,000	867,000	126	349,000	425,000
Including passenger ships			44	108,000	69,000

As to these figures no great shifting has taken place in the latest years, the regular service tonnage has, all the same, grown a little at the cost of the tramp trade tonnage.

The gross freight earnings were in 1924 and 1928 as follows:

In million kroner

	Between Foreign Countries		Between Denmark and Foreign Countries		Total	
	1924	1928	1924	1928	1924	1928
Regular service	47.8	34.7	66.4	43.5	114.2	78.2
Steamers and motor ships:						
Tramp trade	98.5	59.9	28.5	16.3	127.0	76.2
Equivalent monthly hire	21.0	26.8	..	..	21.0	26.8
Sailing ships	6.5	2.8	3.4	2.3	9.9	5.1
Total	173.8	124.2	98.3	62.1	272.0	186.3

It appears from the above summary that in 1928 only about one third of the gross freight earnings was in trade between Denmark and foreign countries, while two thirds was earned in clean overseas trade, that is between foreign countries. Apart from time charter, the regular service in 1928 earned a little more than did the tramp trade. I intend, however, in this article to make only regular service the object of closer examination.

With very few exceptions, all the ships in regular service referred to in the foregoing tables belong to the United Steamship Company and the East Asiatic Company. To write the history of Danish liner service would thus be the same as writing the history of these two companies.

The oldest Danish liner company, the United Steamship Company, dates back to December, 1866, when an effort was made to realize one of the ideas of that great Danish genius Tietgen, that a number of small competing steamship companies should be amalgamated into one big concern.

It has proved to be of unquestionably great importance that the home steamship trade has been placed in the hands of one large company, because in this way a degree of uniformity and stability has been created on the Danish shipping market that could hardly have been attained otherwise, and, since the same company also carries on an extensive foreign liner trade, it becomes possible for transshipment between foreign and home ports to be conducted at a central point under the most favorable conditions.

This amalgamation placed in the hands of the United Steamship Company such important services as the North Sea—Baltic lines from Antwerp, Hull, and London via Copenhagen to the ports of Prussia, particularly Königsberg; the Norway lines; and the lines to the Faroe Islands and Iceland. It was especially the services between countries west of Denmark and the Baltic ports that early proved to be of great and increasing importance. True, the company had no monopoly in this traffic, and English companies were especially active in disputing the position of the Danes, but agreements with these opponents soon created favorable conditions. Up to the very end of the 'seventies Königsberg was undoubtedly the great outlet and receiving port for the trade of Russia. In the 'eighties, however, this was changed, partly as a result of the great harbor works built by the town of Libau and a railway policy that gave to this town the whole of little Russia as a Hinterland, partly owing to the difference in the gauges of the German and Russian railways, which necessitated a laborious transshipment on the Königsberg route, and partly due to the fall in the rate of exchange for the ruble, which, owing to the fact that even on the

Russian lines the railway charges via Königsberg were calculated according to a fixed ratio between German marks and rubles, favored export via Russian ports. The company was, however, ready to seize its opportunities; it offered to establish regular services to England and Antwerp if given a monopoly on the direct sea conveyance of goods brought from these countries for further transit by the Russian railways to Moscow, and a contract was signed on this basis. Later on, in 1885, this monopoly was withdrawn, but the company had been first in the field, and this fact continues to exert its influence. Certainly the Libau route in course of time lost some of its importance, but this merely led the company to seek new outlet ports for the trade from the great Czarist Empire, through Riga, the Gulf of Finland, or the Black Sea. During the years just prior to the War there was a very considerable development; and, even if there were great difficulties to contend with, of which competition was not the least, judicious negotiations led to a quiet working agreement under which the United Steamship Company was able to become one of the greatest carriers of the general cargo exported from Russia.

In 1914 came the World War, and at once the extensive route services with Russia were broken off; since the cessation of hostilities very little opportunity has arisen to resume the old connection in anything like the extent of pre-war days. Naturally, this is due to the revolution in Russia, both economic and political, but the circumstance that the company's former great customer in the east is still displaying little activity has also had the effect that many of the company's other European services have had to be reorganized since the War.

After 1864 active endeavors were made for the purpose of establishing a direct connection between Denmark and England, particularly as England at that time was already one of Europe's best markets for cattle and provisions. It was, however, not the United Steamship Company that took the lead in this respect, for it already had sufficient to do at that time in its North Sea—Baltic services, and the company left the other sphere of operations to various

smaller Danish companies and one or two English lines. Not until 1875 and 1876 did the company start its Esbjerg lines; and here it was soon faced with competition, but easily managed to overcome it. It was not long, however, before the competition of other England services became unpleasant. An abnormal system of rebates was commenced, but the effect of this was naturally felt most by the smaller companies, which could not, like the United, cover themselves on many other services. An amalgamation, therefore, became necessary, and the result was that five of the smaller shipping concerns were absorbed by the United, which thus at the beginning of the 'eighties had most of the England trade in its hands and lived to witness the change-over from the export of cattle to that of provisions and butter, and, subsequently, the great development of the latter.

The War made it a very difficult matter to maintain these services, but happily matters went better than might at first have been expected. Since the War the company has exerted all its energies in the making of these lines as effective and up-to-date as possible. The company has succeeded gradually in replacing all the old export boats with new, modern vessels, and now it has in this trade a fleet that is in every respect in keeping with the times. During 1925 the new motorship "Parkeston" was put into the Esbjerg-Harwich service and proved to come up to expectations in every respect. Two more motor ships have since been put onto the route, which now has three motor ships and one steamer.

The reorganization of agriculture in the 'eighties involved not only different export commodities but also quite a new import. The import of foreign feedstuffs had already begun, especially from Russia, and in the 'nineties America also became a large exporter of cottonseed cake and maize to Denmark. Nothing was more natural than that Danish farmers should turn their attention westward, and nothing more understandable than that the United Steamship Company should seize the chance at once. Further, the Free Port at Copenhagen had just been opened, and it was of importance that new, overseas lines should be created to

operate on it. As an experiment, therefore, the first cargo line was opened from New Orleans to Denmark in 1895, and it proved successful. Copenhagen had, of course, had the Thingvalla Company's America line since 1880, but that was essentially an emigrant line, and its experience had been anything but encouraging. The great trans-Atlantic shipping companies had waged the keenest competition against each other for years, and the Thingvalla Company had by no means had easy conditions to operate under. There was thus good reason for the greatest caution.

The next few years, however, witnessed a splendid improvement in the American traffic as a consequence of the great American harvests, and this afforded the United Steamship Company the incentive not only to increase and extend its freight lines but also to start upon the passenger traffic. In 1898 the Thingvalla Company sold its vessels to the United Steamship Company, which then started its Scandinavia-America Line. It was soon decided not to rest content with the old material; a 10,000 gross ton steamer was ordered, and since 1902 this vessel has sailed in the company's service under the name of "Oscar II." Already in the first year the number of passengers exceeded even the most optimistic expectations, and two new steamers of the same type were, therefore, ordered and proved to be exceedingly useful as soon as they were put into operation. Although during the succeeding years the company was, to a certain extent, involuntarily involved in costly competition, which, however, was later on succeeded by years of undisturbed peace, the American line before the War turned out to be an extremely valuable asset to the United Steamship Company, a fact which was evidenced by the fact that the company shortly before the War put into the service a new and still larger vessel, the "Frederik VIII." What was true of the passenger line also applied to the freight lines which the company had established to North America, and it was on one of these that the company placed its first motor ship.

The years of the War naturally brought about a great deal of disturbance in the trans-Atlantic traffic, and even after the War the old tracks were not reopened, for a new American law restricting immigration came into force in the

summer of 1921 and even in its first year involved a heavy falling off in the number of passengers, particularly those westward bound. In 1924 additional restrictions regarding immigration reduced the number of emigrants to America still further, and in 1929 still stronger restrictions were put into force. Owing to the development of the emigration from Denmark to Canada, the vessels have called at Halifax on each west-going trip.

To South America, too, the company has carried on a steadily growing route traffic, especially since the War, and the introduction of first class ships has enabled the company to obtain a constantly increasing share of the general cargo exported from those countries.

As another phase of the company's activities, it may be mentioned that for a number of years it has maintained lines to French and South-European ports, such as Bordeaux, Lisbon, Oporto, Tarragona, Valencia, Malaga, Cadiz, Seville, Marseilles, Genoa, Livorno, Naples, Messina, Palermo, and various ports in the Levant. The North-African coast is also included, especially Algiers.

At the end of 1929 the United Steamship Company had a fleet of 117 ships, inclusive of towing material, 220,000 gross registered tons in all. The biggest ship in the company's service is the S. S. "Frederik VIII," which measures almost 12,000 gross registered tons.

The other great liner company of Denmark, The East Asiatic Company, was founded March 20, 1897, and undertook as its first great task in the domain of shipping the establishment of a direct, regular steamship connection with East Asia. No such service had existed since the Asiatic Company had died a slow death just prior to the middle of last century, and the object of the new line was to give Denmark a greater share in the world's trade and traffic and to open new fields for Danish enterprise. Ever since its founding the East Asiatic Company has worked with this aim in view in establishing the numerous overseas routes which it runs concurrently with its great trading and industrial activities.

In the following it is proposed to give a brief survey of the historical development of the company's shipping busi-

ness, covering the company's own lines as well as those which belong to affiliated foreign companies, in the starting of which the Danish Company has taken the initiative and with which it has co-operated.

After the first three liners were put into operation between Europe and East Asia, in 1898, developments in shipping were rapid. The company was instrumental in starting the Russian—East Asiatic Company in 1899, and in 1902 it participated in the establishment of Est Asiatique Français, and its trade with the East was conducted in conjunction with the vessels of these concerns. In 1905, however, Est Asiatique Français transferred its ships to the Messageries Maritimes, but continued to remain a trading company in which the parent company was and is still interested.

In 1899 the first vessel was started in regular service on the Malay Peninsular line, with Bangkok and Singapore as terminal ports, and from time to time other ships were added to this route. The line was also extended to include the east side of the Gulf of Siam. Three vessels were transferred to The Siam Steam Navigation Co., Ltd., which was established in 1908 as a daughter company of "ϕ. K.," as the East Asiatic Company is called in Denmark. A year previous the company's growing trade had led already to the start of a new independent line between Copenhagen and Bangkok, the so-called Bangkok Line, which quickly found strong support. It is now called the Straits-Siam Line.

As a consequence of the increasing export of timber, wood goods, and cement from Scandinavia to South African ports, the company started to trade with these ports in 1900. Ships were gradually procured for this service, and in 1903 the South African Trading Company, Ltd., was founded as a joint Swedish-Danish enterprise. In 1915 a rearrangement was made, the ships being taken over by the Orient Steamship Company of Copenhagen, and "ϕ. K." opened an agency at Durban. The company's ships have sailed in joint services to South-Africa with the ships of the Swedish Transatlantic Company and the Norwegian Africa and Australia Line since 1909 and 1911, respectively, and in 1914 this collaboration was extended to comprise a line to Australia and Java. ϕ. K. helped towards the formation of the

A/B Svenska Ostasiatiska Kompani in 1908, and an agreement was made with the Swedish Railways for through rates on the basis of co-operation between the companies in order to promote the route services to East Asia.

After the Russo-Japanese War the Russian-Asiatic Company's vessels were transferred to a new service between Russia and North America. This line—the Russian-American Line—was admitted to the Atlantic Conference in 1908, as it had become an important factor in the emigrant traffic between the Baltic and America. The World War, however, brought this traffic to an abrupt conclusion, and it was not until some time after the War that ϕ. K. succeeded in gaining control over most of the widely dispersed steamer fleet, which they then, in February, 1921, placed under the Danish flag in the cargo and passenger traffic between the Baltic and America, with the name of the Baltic-American Line and with Libau and Danzig as ports of call in the Baltic.

These ships at the beginning of 1930 passed over to a newly started Polish ship-owning company, but the East Asiatic Company has still a certain financial interest in the undertaking.

When in 1904 the East Asiatic Company absorbed the West Indian Company, established in 1902, it took over the newly established steamship connection of that concern between Mexican and European ports. When the Panama Canal was opened, this service was extended to the Pacific and was divided into a North and a South Pacific Line, whose interests were watched over by the company's own agencies at San Francisco and Valparaiso, respectively.

The second West Indian Company was formed in 1912, with the object of enabling the port of St. Thomas to cope with and maintain the shipping traffic which was expected to develop after the opening of the Panama Canal in 1914.

As to the fleet of the East Asiatic Company itself, this originally consisted of steamships, but after very searching investigations the company in 1910 made the extremely important decision to build three Diesel-motor ships for the East Asiatic routes. The first of these vessels was the "Selandia," built by Burmeister & Wain, Copenhagen. She was delivered at the beginning of 1912 and made quite a

sensation in shipping circles all over the world as the first sea-going motor ship for long routes. After the company had received the first report as to the running of the "Selandia" and could deduce from this that any deficiencies that had disclosed themselves were simply such as new ventures were always liable to, it decided to order several motor ships and gradually to go over exclusively to the use of Diesel motor ships for route service, as this type of boat was improved.

At the end of 1929 ϕ. K. had a fleet of twenty-four ships, with a total measurement of 150,000 gross registered tons. Of these twenty-one were motor ships. In the beginning of 1930 the company further enlarged its motor ship fleet for one thing by procuring the S. S. "Amerika," which has a loading capacity of 12,000 tons and is placed in the Copenhagen-Southampton Pacific coast route. All this tonnage, however, is insufficient to cope with the company's route interests, and very often outside vessels have to be chartered to run on its lines.

Altogether we can estimate that Danish ships carry almost half of the goods which are exchanged between Denmark and other countries, and, in addition, they carry still larger quantities in the traffic between foreign countries. The trade between Denmark and foreign countries, however, has this weakness, that the quantity of cargo carried to Denmark is about five times as great as that carried from Denmark. This is explained by the fact that in its capacity as a highly developed "finishing" country, particularly as regards agriculture, Denmark is dependent upon imports for its fodder and other raw materials. The dairy and slaughter-house products which are exported from Denmark naturally occupy only a small space compared with the huge bulk of the imported grain and feedstuffs which provide the basis for their production. In reality, Denmark has only one bulky export commodity, cement, and, therefore, Danish route services would suffer very greatly from lack of cargo if they had to depend solely upon Danish products. Fortunately Denmark, by virtue of its geographic situation, has good opportunities for procuring outward freights in the neighboring countries to the north, which have an excess of bulky

export articles, and both the United Steamship Company and the East Asiatic Company have there secured a wide field of operations. This, of course, can only be to the benefit of Swedish, Finnish, and Norwegian exporters, who are thus provided with further improved shipping and selling possibilities.

Denmark's shipping trade receives no subsidies directly or indirectly from the state, and I dare say it must be because it is based upon and is worked on sound economic principles that it takes such an active part in the international shipping trade.

Perhaps at times it might be rather hard for Danish shipping to be without any support, when several other countries keep their shipping industry going by the help of open or hidden state subsidies, but it is my conviction that no shipping trade can in the long run develop and prosper and be equal to what is demanded from international trading unless it gets its impulse from free competition.

Copenhagen
August, 1930

PRINCIPAL MARKETS FOR PRODUCTS OF SWEDISH INDUSTRY

Report of Mr. Oscar Rydbeck, President, Skandinaviska Kreditaktiebolaget, Stockholm

A COMPARISON between the foreign trade figures for the last few years and those for the years before the War shows a remarkable change in the foreign trade position of Sweden. Not only has the total turnover increased considerably, but there has been a diversion of trade routes and a change in the character of the goods sold to foreign countries. This development, which, it is true, had started already in the pre-war years but which has lately taken greater proportions, is interconnected with the simultaneous change in Swedish industrial production, involving a larger output of manufactured articles and with the rapid growth of the shipping trade.

It is a characteristic feature of the export trade of Sweden that it is concentrated on a small number of kinds of goods. Thus in 1929 more than half of the exports consisted of wood pulp, paper and cardboard, timber, and iron ore. In this respect the situation is the same as before the War with the difference, however, that wood pulp, paper, and cardboard have taken the place of timber as the most important Swedish export commodity, corresponding to about twenty-five per cent of the total export value, while timber has been reduced to about nineteen per cent. Iron ore, on the other hand, has maintained its position.

The severe competition to which the Swedish timber trade has been exposed from Finland and lately from Russia together with the demand for wood pulp have been of great importance in changing the course of Swedish trade. Great Britain has long been the biggest buyer of our timber, while the United States because of the growing paper consumption is a great consumer of wood pulp. The United States now takes the main part of our wood pulp, which, moreover, is

the most important article that we sell to them, constituting about two thirds of all our exports to that country. The consequence is that the export trade with the United States has increased rapidly not only absolutely but also relatively in comparison with total exports, while the dominant position of Great Britain as a buyer of Swedish goods is retrogressing. As seen by the table below, Great Britain, however, still stands first, taking about twenty-five per cent of our exports, while the United States has advanced from the sixth to the third place on the scale.

Country	1913		1924–1928		1929	
	Million Kronor	Per Cent	Million Kronor	Per Cent	Million Kronor	Per Cent
Europe	718.0	88	1,127.8	78	1,408.3	78
Great Britain	237.9	29	394.6	27	456.6	25
Germany	179.1	22	199.6	14	275.4	15
Denmark	70.6	9	91.0	6	117.8	6
France	66.3	8	84.8	6	102.3	6
Norway	54.0	7	69.5	5	95.6	5
Holland	19.2	2	54.8	4	69.6	4
Russia, the Baltic states, and Poland	32.4	4	59.1	4	58.6	3
Belgium	18.6	2	40.9	3	56.8	3
Finland	14.5	2	40.2	3	49.8	3
Spain	11.2	1	38.7	3	43.1	2
North America	37.0	5	171.0	12	214.1	12
United States	34.4	4	161.9	11	198.4	11
South and Central America	13.2	2	40.6	3	61.3	3
Africa	18.8	2	30.5	2	42.4	2
Asia	20.3	2	49.7	3	58.8	3
Australia	10.0	1	26.6	2	28.4	2
All countries	817.3	100	1,446.3	100	1,813.3	100

But it is also evident from the table that the increase in the trade with the United States as well as with other non-European countries has taken place at the expense not only of Great Britain but also of our other big European customers, Germany, France, Denmark, and Norway. It is obvious that Germany because of the reduction in population and buying power should not be able to maintain its position, but its share has been increasing lately and will probably become still larger. The declining importance of Europe as a buyer of Swedish goods is due partly to what has been said above of the trade with the United States, and partly also to the rapid progress in our engineering trade,

whose products have found their way to the Far East, South America, and Australia. Since this is perhaps the most interesting phase of the industrial development in our country during the last decades, a digression may be justified.

The companies which have been most prominent in this development belong to trades in which high quality of the raw material, technical skill, power of organization, and good workmanship are the necessary qualifications for success. We need only mention such articles as matches, telephones, electrical machinery, ball bearings, vacuum cleaners, Aga-lights, Primus stoves, and separators to give an idea of the branches of industry which have taken an active part in the rapid penetration of Swedish goods into overseas countries. The biggest and most well-known of these companies is the Swedish Match Company, which through the International Match Corporation and other affiliated companies has extended its activities to more than thirty-five different countries in Europe, North and South America, and the Far East. Through the acquisition of already existing undertakings or through the erection of new factories, the production of matches is carried on by Swedish-controlled undertakings all over the world, and the matches sold by the concern are only to a limited extent supplied by the factories in Sweden. In certain cases, as in India, this procedure has been necessitated by prohibitive tariffs which have made it impossible to import matches. In no less than thirteen European and non-European countries the company has obtained legal monopolies or other advantages against the granting of loans to the governments.

The method of competing for concessions in order to increase the sale of their products has been used by the two big electrical companies, the Telefonaktiebolaget L. M. Ericsson and the Allmänna Svenska Elektriska Aktiebolaget, ASEA. The L. M. Ericsson Company thus operates through affiliated companies telephone services in Italy, Turkey, Greece, and Poland, and in Argentina and Mexico. The ASEA has obtained concessions in Poland, Jugoslavia, and Germany. Both companies have factories in different parts of the world and have obtained contracts for the erec-

tion of telephone lines and power stations in European and overseas countries.

The four remaining big companies, the Aktiebolaget Svenska Kullagerfabriken, SKF, the Aktiebolaget Separator, the Aktiebolaget Electrolux, and the Svenska Aktiebolaget Gasaccumulator, which manufacture ball bearings, milk separators, vacuum cleaners, refrigerators, and beacon lights, have worked on lines similar to those of the above mentioned companies in erecting factories and sales agencies abroad, in acquiring foreign undertakings, etc. They have thus contributed to the change in the course of Swedish trade, which would be still more pronounced if the sales from Swedish-owned factories abroad could be included in the export figures quoted above.

Another contributory factor has been the rapid development of the shipping trade. "Trade follows the flag," and the establishment during the last twenty-five years of direct connections with overseas countries has no doubt been a great support for the export trade on those countries. The first overseas line was established in 1903, and now nearly half of the merchant tonnage is employed in such traffic. Moreover, two Swedish shipping companies maintain a regular service between South and North America, which may be considered as an invisible export of services.

Another kind of export, which it is impossible to measure quantitatively, but which may be mentioned here since it is of great importance for the export trade of Sweden, is the employment of Swedish engineers in foreign countries. They may be found in all parts of the world where constructive work is going on and are often engaged in the service of foreign undertakings. In keeping up contacts with their own country they act as outposts for the Swedish industry, and the consideration they enjoy abroad is an effective advertisement for the products of this industry.

Stockholm
August, 1930

THE ECONOMIC IMPACT OF NORWEGIAN LABOR ORGANIZATION

Report of Mr. J. Throne Holst, President, Freia Chocolade Fabrik, Oslo

1. Institution, Object, and Growth of the Norwegian Labor Organization

THE Norwegian Labor Organization was founded in 1899 and is accordingly now more than thirty years old. Before the year mentioned there already existed a few unions of skilled industrial workers, but only after the consolidation of these detached trade unions within the country into one national labor organization did this movement come to the importance it actually had during the years to follow.

From the very first the object of this national labor organization has been to organize a close co-operation of the unions in order to further the technical and economic interests of the working classes, to conduct their conflicts, and to guard against attacks on the privilege of organization. The national labor organization is a member of the Norwegian Labor Party and is represented by its chairman in the executive committee of the Labor Party. There is also an intimate co-operation of the technical and political labor movement for the promotion of the claims of organized labor. Furthermore, the labor organization co-operates with the National Co-operative Society.

At the great joint congress in 1927 it was concluded that the co-operative movement must be built up and developed so as to form a part of the workers' class-warfare, on an equal footing with the party and the trade movement, thereby establishing a permanent, organized co-operation of the main trade-unions, technically, politically, and co-operatively.

The regular duties of the Norwegian Labor Organization are performed by a secretariat at present consisting of thirteen members elected by the affiliated trade-unions. In

1928 the labor organization and the affiliated unions had eighty-one fully paid trusted men and forty-three employees. The labor organization has its own special statistical office for collection of wage statistics, etc., as well as a legal department to deal with labor and civil cases which may occur. The organization is publishing its own general paper and thirty professional papers. The organization has ample funds at its command and has founded its own bank. In 1924 the total capital of the Norwegian Labor Organization was stated to be about 9 million kroner. Since then there have been no official statements.

The average subscription of members has risen considerably during the last years, originally ranging from 20 öre to 1 krone a week, whereas during the years 1921–1924 it amounted to between 1 and 5 kroner a week. In this amount, however, is also included subscription to various benefit societies. Extra subscription is regularly charged during conflicts, and it is, therefore, rather difficult to make sure of the total amount of subscription. In the period mentioned above, 1921 to 1924, the extra subscription, however, amounted to twenty-four per cent of the ordinary subscription. For several trade unions the annual subscription amounts to between 200 and 300 kroner for each member, and the membership in trade-unions, therefore, involves a considerable economic sacrifice on the part of the members.

When the Norwegian Labor Organization was founded, the number of members was only a few thousand. This figure, however, rose considerably during the following years and in 1909 reached 48,000. During the War the membership increased rapidly and in 1919 reached its height, being then 144,000. During the following economic crisis with its great unemployment the membership was considerably reduced and in 1922 fell as low as 83,000. Since then the membership has steadily increased, so that the national labor organization is now numbering nearly 130,000 members distributed among thirty-one trade unions. Most of the unions include workers from private concerns in various industries, but the organization has gradually been joined by an increasing number of workers and employees in public and municipal enterprises. About 20,000 of the members are

at present employed in public or municipal concerns. The organization has within the last two years gained from among the forest workers and raftsmen about 10,000 members.

The remaining 100,000 workers are employed in private industrial concerns. According to the official industrial statistics, it is calculated that about 150,000 workers in the whole country are at present actually employed in industry. These figures prove that the percentage of organization is very high in Norway, two thirds of the industrial workers taken as a whole being members of the labor organization. In addition, there is the adherence to the organization of 30,000 members distributed among forestry and public and municipal enterprises. Several new categories of workers, including hotel and restaurant attendants and an independent group of subordinate commercial and office employees, are at present contemplating entrance into the national labor organization. In agriculture the organization is at present of minor importance.

2. Standard of Living of Organized Labor in Norway

The first and most important object of the organization is to raise the standard of living of its members. The labor organization has gradually come to play quite an important part in the economic life of Norway. By making a constantly increasing number of collective agreements—between the Norwegian Employers' Association, various unorganized private concerns, several municipalities, the state, of the one part, and the national labor organization and the individual trade-unions of the other part—organized labor has known how to secure still more favorable working conditions, and the level of wages obtained by these workers is at present far higher than the level of wages of the unorganized part of the population.

Even before the World War the wages of labor in Norway were exceedingly high. Even then the conditions of living of the Norwegian workers ranked among the highest in Europe, though the cost of living in this country has also always been comparatively high. During the War and in

the years following the wages rose considerably faster than the cost of living, and when the great change in the state of the market occurred in the autumn of 1920 the wages were very much higher than before the War. Broadly speaking, the labor organization during the intervening years succeeded in maintaining the real wages obtained during the war-time boom. I shall try to elucidate by a few figures the development which has taken place since the normal years before the War.

Year	Supposed Income—the Whole Population According to Assessment Million Kroner	Industrial Workers			Index Figure Cost of Living
		Number of Hours Worked	Wages Paid Million Kroner	Average Hourly Earnings Öre	
1913	929.5	361.5	135.5	37.5	100
1927	2,252.4	263.7	335.1	127.1	201
Per cent increase, 1913–1927	142.3	−27.05	147.3	238.9	101

While the cost of living in 1927 was more than 101% above the cost of living in 1913, the average hourly earnings in manufacturing industry for male and female workers during these years increased 238.9%. During the same period the national income, as expressed in the local assessment, advanced 142.3%. Further, although the number of hours worked in industry has decreased one fourth, the wages paid in industry during the same period have increased to two and one half times as much as they were before the War.

The detailed wage statistics of the Norwegian Employers' Association show a similar advance in the hourly earnings of adult males from 54.3 öre in 1914 to 147 öre in the third quarter of 1929. That is an advance of 171% in the hourly earnings, as compared with an increase of 78% in the cost of living during the same period. During this period, however, the hours per day have been considerably reduced, chiefly due to the agency of the labor organization. But even if the calculation is based on daily instead of hourly wages, a procedure hardly correct from a productional point of view, the real wages of industry are today more than 20% above the 1913 level.

As a matter of fact the organized Norwegian industrial workers occupy a monopoly position. While the daily wages of an agricultural worker are between 4 and 5 kroner, an organized industrial worker according to his agreement gets on the average 12 kroner a day. It is no exaggeration to say that the organized industrial workers monopolize a disproportionally great part of the national income at the expense of unorganized employees of all classes of society. The distribution of income is, therefore, extremely uneven and unjust.

The working hours were constantly reduced during the War by negotiations that found expression in the collective agreements between the various organizations. The legislation pressed by the organization and the Labor Party tended in the same direction, and from January 1, 1920, the eight-hour day was in force in Norway for all concerns that come under the Factory Inspection Act, or nearly all concerns belonging to industry and handicraft, and has been carried through to a far greater extent than is the case in most important industrial countries. This is especially interesting in view of the fact that Norway has not ratified the regulations of the Washington Convention. While the Washington Convention allows for weekly continuous work an average of fifty-six working hours, the Norwegian law for the same work allows not more than an average maximum of forty-eight hours a week.

Besides the raising of wages and the reduction of working hours, Norwegian industry since 1916 has extensively introduced vacations with full pay. Unlike some other countries, Norway does not require vacations by law. However, all agreements to which the labor organization is a party include provisions as to vacations, which on the average are considerably longer than in any other European or overseas country. Vacations are generally required to be from eight to twelve working days with full pay. In the 447 collective agreements made with the labor organization in 1928, the average vacation stipulated is ten days per worker.

3. Restrictive Influence of the Trade Union Movement on Industry

It is a well-known fact that labor conditions in Norway are very difficult, and it cannot be denied that this fact has been important in cases where there is a question of investing capital for the development of our water power and other natural resources. Wage disputes in Norway during recent years have been very bitter, and the number of working days lost during the year on account of such disputes is very great, in fact far greater than in neighboring countries. Conditions during the years since the War have been particularly difficult.

In the year 1920 the cost of living index was at its highest, 336. By March, 1930, the index had dropped to 176, or a decline of nearly 50%. Money wages, which in the autumn of 1920 were at the maximum point, have also been falling, but the level of real earnings has been maintained in spite of a long series of years of declination. Bitter conflicts, however, have been necessary to keep this level.

A summary of the statistics of the labor organization for the eight years 1920 to 1927, inclusive, shows more than 9 million working days lost on account of conflicts, strikes and lockouts owing to disputes about working agreements and wages. On an average this amounts to 1,133,000 working days per year lost for this reason. As subvention to the workers in conflict during the same eight years there was paid a total amount of 25,922,000 kroner. Of this amount a little more than 9 million kroner were paid by the labor organization, and the balance was paid by the respective trade unions.

In spite of the internal political opposition, the labor organization knows how to act outwardly in a body, technically as well as economically, and with great energy it is pursuing its object. In its work the organization has used all the remedies at its disposal and has developed an unscrupulous aggressiveness. Examples may be stated to the effect that wage agreements have been made which have caused a stop in the industry in question, the factories being unable to pay the high wages. This was the case in 1920,

when a series of arbitration judgments were given in industry, according to which for a period of two years exceedingly high wages were stipulated for all large industries. At the same time a long-expected change of the market occurred, and the high wages, therefore, had the most fatal consequences. There was a break-down in industry, and the unemployment for the next months reached a height hitherto unknown. While the number of unemployed members of the trade unions in the normal years before the War amounted to about 2% and as late as in 1919 to about 1.6%, the figure for 1921 rose to 17.6%. During the following years the unemployment was also very great, and, although the last few years have shown a downward tendency, unemployment may still be considered the most serious social and economic trouble of our nation. And this great unemployment despite our comparatively thinly inhabited country with its large natural sources of wealth is chiefly due to the labor conditions enforced by the trade unions. The producing costs are exceedingly high, and many concerns with good natural chances cannot keep things going. The leaders of the labor movement are fully aware of this fact. They make it no secret, however, that they prefer a great unemployment which may be thrown upon the public charity to the necessity of accepting any reduction in their wage agreements.

Oslo
August, 1930

TENDENCIES IN AUSTRIAN FOREIGN TRADE

Report of Mr. Alfred Hauser, President, Hauser and Sobotka, A. G., Vienna

IN THE great number of publications concerning commercial policy and relations between different states, two important circumstances are hardly ever taken into consideration. In the following we will endeavor to show that this often renders the picture which the statistical data are expected to give vague and indistinct. The first of these circumstances is the difference of the effect of economic events and measures on the movement of different groups of commodities. It is a fact that certain groups of commodities show a remarkable stability in their import and export figures, which is seriously affected only when a change occurs in their commercial policy and relations. The movement in other groups of commodities is much less due to variations of their commercial relations than to other circumstances, as for instance bad harvests, scarcity or superabundance of food, strikes or lock-outs, coal supplies, and supplies of raw materials. Another circumstance must be eliminated, if the object in view is not to study the actual fluctuating movement of commodities but to gain a correct idea of the more or less satisfactory commercial relations between different states. Here we mean the fluctuations of the market conjuncture, which naturally bring about fluctuations of import and export; the former, however, are essentially of a universal nature, and, therefore, they do not allow inference as to certain relations and commercial policy of the states. This is a similar proceeding to that adopted for the examination of market fluctuations and other investigations, unemployment, for instance. Here, too, it is only possible to get a correct view of the situation by giving one's attention to the real tendency of the movement, after considering or eliminating those fluctuations due to seasonal work.

The following schedule was drawn up in consideration of

these facts. It is based on trade with finished goods only, because these afford the greatest probability of belonging to the group of commodities first mentioned, for which all the effects that are not due to commercial policy can safely be eliminated. All the figures representing export and import contained in this schedule are based on 1924 = 100, as this not only facilitates comparison, but also makes the fluctuations more clearly apparent.

INDEX OF THE IMPORT AND EXPORT MOVEMENT OF FINISHED GOODS IN AUSTRIA SINCE 1924

		1924	1925	1926	1927	1928	1929
Germany	Import	100	78	81	99	119	126
	Export	100	114	69	121	128	129
Czechoslovakia	Import	100	69	68	72	79	77
	Export	100	96	94	111	124	130
Hungary	Import	100	73	51	55	80	112
	Export	100	93	97	111	100	86
Italy	Import	100	92	76	101	62	62
	Export	100	88	67	63	71	72
Yugoslavia	Import	100	68	59	70	89	74
	Export	100	85	72	74	77	79
Poland	Import	100	61	99	123	129	117
	Export	100	84	33	49	58	52
Switzerland	Import	100	68	67	78	85	74
	Export	100	61	77	81	87	80
Roumania	Import	100	150	109	186	179	195
	Export	100	88	83	97	97	83
Total of neighboring states	Import	100	76	73	84	95	96
	Export	100	90	73	89	94	91
Total of other states	Import	100	66	99	131	147	183
	Export	100	101	107	118	140	147
Finished goods: total	Import	100	75	76	90	101	103
total	Export	100	93	82	96	105	105

The series of total index figures shows a surprising similarity to fluctuations known to us. From 1924 till 1925 exports gradually sink and reach the lowest point in 1926; an increase in 1927 is followed by a slight increase in 1928; since 1928 we note a slight depression which remains unchanged in 1929. The import curve is similar, with the only difference that in 1925–1926 the level remained almost unchanged. In 1929 the volume of trade in finished goods is not very different from that in 1924. It is interesting to note that exports have increased, from 100 to 105, more than imports, from 100 to 103.

If we compare the figures of the partial indexes of the neighboring states with the index figures of other states, we see that, although both series of figures show the same characteristic curve of fluctuation, the volume of trade with the neighboring states in 1929 has decreased 4% in exports and 9% in imports in comparison with 1924. On the other hand, the comparative figures of the other states, which comprise one third of the total volume of our trade in finished goods, show an increase of 47% for exports and of 83% for imports.

Although all the series mentioned above show the signs of the fluctuating movement that we know and that is, on the whole, characteristic for all states from 1924 till 1929, these figures allow an inference as to the important divergence in the development of our commercial relations with these two groups of states. According to statements of international corporations and economical and statistical data which are regularly published by the League of Nations, there is no doubt that the volume of trade in the world has greatly increased from 1924 to 1929. Our relations towards the world states have made it possible for our foreign trade to keep up with this world development.

Although the situation of commercial policy on the world market must be looked upon as far from satisfactory, we can state, however, that Austria has not had a harder time than other states in this respect in the course of the last five years. All the difficulties and obstacles which hinder a favorable development of our commercial relations with our neighboring states become clearly apparent when we turn to study those figures which show such a remarkable disparity from the general development.

From considering the index figures of the different neighbor states we get a still more exact view of the situation (whereby we wish to state that here, too, all the rows of figures show the characteristic curve of fluctuation). A somewhat satisfactory development of the export of finished goods has taken place only with respect to Germany and Czechoslovakia. These are the only states which show an increase since 1924, and even here the improvement of 29%

and 30% respectively remains a good deal behind the corresponding figures of the other world states.

Figures concerning the export of finished goods into Hungary show a very satisfactory development up to 1927. Owing to the effects of the new Treaty of Commerce, a decrease of 10% took place in 1927–1928 and continued in 1929. No other state shows such an unsatisfactory development during the last few years. The figures standing for imports from Hungary as well as from Poland, Roumania, and Jugoslavia are of minor importance, because the absolute volume of imports of finished goods from these states into Austria is naturally very small. The volume of trade in finished goods with respect to Italy shows a decrease of 62% and 72% respectively. Our export of finished goods to that state has not even reached the level of 1925 and is hardly higher than that of 1926.

The tendencies of Poland towards isolating itself have had the effect of diminishing our exports of finished goods to that state, so that they are now 52% of the level reached in 1924. Trade in finished goods with Switzerland and Roumania show a slightly more satisfactory development; however, index figures for 1929 remain beneath those for 1924 in these countries.

On closely examining what can be the reason for this widely different development of our trade with our neighboring states, on the one hand, and with other states, on the other hand, we will find that it is due to the widely different composition of our exports to these two groups of states. We provide the world states with those goods that are specially produced in our own country, that are in demand in those states, and the import of which is free, whereas our commerce with our neighboring states rests on a much broader basis. Here the export of our special productions is choked by the movement of mass articles, whereas in other states it can develop freely and therefore reflects exactly all the market fluctuations. Mass articles, however, which are more or less produced in every state, are objects of fierce battles in commercial policy, and this warfare, which is waged with the arms of compensation for duty claims, demands sacrifices which have a disturbing effect on the

development of export. This is all the more noticeable in the group of finished goods, because these do not only bear the costs of the protection granted to industry, but must also in many cases pay the price for the prosperity of our agriculture. That is why the index curve of the neighboring states falls deeper and deeper in the years of strongest activity in the realm of commercial policy, when compared with the curve of the world states.

The year 1930, in which the Duty Armistice was signed and in which Austria passed a number of new Treaties of Commerce, will perhaps bring some modifications, the effects of which cannot as yet be foreseen.

Vienna
August, 1930

HUNGARY'S FOREIGN TRADE IN THE YEARS 1925-1929 AND THE PROBLEM OF THE INTERNATIONAL EXCHANGE OF GOODS

Report of Mr. Eugene Vida, Vice President and General Manager of the Hungarian General Colliery Company, Budapest

IN preparing this article I am conscious of the difficulties of the task set before me, since I have to address a circle of readers who have presumably given little thought to Hungarian affairs so far, if for no other reason, at least on account of the great geographical distance separating Hungary from America. On the other hand, this very fact makes the task more alluring and important for me, since it enables me to fulfill almost a patriotic duty by supplying information on the foreign trade of my country just to that group of people whose interest in Hungary I should most like to awaken.

In the following I shall endeavor to treat the subject in a summary way and make a few observations as to the conclusions that may be drawn from the statistical material presented below.

TABLE 1: HUNGARY'S FOREIGN TRADE IN THE YEARS 1925–1929[1]

Year	Imports		Exports	
	In Thousands of Pengos	In Thousands of Metric Quintals	In Thousands of Pengos	In Thousands of Metric Quintals
1925	864,567	44,368	848,028	21,906
1926	941,006	53,993	876,672	25,954
1927	1,182,262	63,418	807,560	20,252
1928	1,211,411	66,260	825,974	20,993
1929	1,062,771	67,084	1,040,179	27,525

[1] The data for the year 1929 are based on provisional returns. The quantities given above do not include the weight of such goods as are recorded by the number of pieces or pairs.

TABLE 2: PERCENTAGE PARTICIPATION IN THE TOTAL IMPORTS AND EXPORTS OF HUNGARY OF THE MOST IMPORTANT COUNTRIES OF ORIGIN AND DESTINATION

Country	Imports					Exports				
	1925	1926	1927	1928	1929[1]	1925	1926	1927	1928	1929[1]
Austria	22.3	19.8	17.5	16.2	13.4	33.4	37.0	34.7	34.1	31.0
Czechoslovakia	24.2	22.5	24.3	22.4	22.1	23.3	19.5	19.4	17.6	16.2
Rumania	8.0	8.1	7.1	7.1	9.2	4.0	4.0	4.6	5.5	4.6
Jugoslavia	3.5	3.5	4.3	5.0	5.2	8.0	5.2	5.1	6.4	5.9
Germany	15.2	16.7	18.2	19.5	19.7	10.5	13.0	13.3	11.1	11.5
Total	73.2	70.6	71.4	70.2	69.6	79.2	78.7	77.1	74.7	69.2
United States	2.4	2.4	2.3	3.6	4.5	0.3	0.5	0.5	0.7	1.0

[1] The data for the year 1929 are based on provisional returns.

It appears from the above that about seven tenths of both the imports and the exports of Hungary fell to the share of the countries immediately adjoining it and to Germany.

TABLE 3: DISTRIBUTION OF HUNGARY'S IMPORTS AND EXPORTS AS TO RAW MATERIALS, SEMI-MANUFACTURES, AND FINISHED MANUFACTURES

Year	Imports					
	Raw Materials		Semi-Manufactures		Finished Manufactures	
	In Thousands of Pengos	Per Cent	In Thousands of Pengos	Per Cent	In Thousands of Pengos	Per Cent
1925	252,768	29.23	186,819	21.61	424,980	49.16
1926	291,517	30.98	220,356	23.41	429,133	45.61
1927	351,911	29.77	294,420	24.90	535,931	45.33
1928	396,444	32.73	286,209	23.63	528,758	43.64
1929[1]	398,331	37.48	238,672	22.46	425,768	40.06
	Exports					
1925	521,576	61.50	38,332	4.52	288,120	33.98
1926	613,635	69.99	36,031	4.11	227,006	25.90
1927	516,303	63.93	43,752	5.42	247,505	30.65
1928	476,297	57.66	64,396	7.80	285,281	34.54
1929[1]	622,853	59.88	72,219	6.94	345,107	33.18

[1] The data for the year 1929 are based on provisional returns.

In presenting the foregoing summary of the data regarding the foreign trade of Hungary during the last five years with the view of complying with the request which I was honored with and of calling the attention of my overseas readers to the economic affairs of Hungary, I feel that I have complied with that request only incompletely and that evidently more

is expected from me than the presentation of statistical material which may be compiled by anybody from the publications of the Hungarian Central Statistical Bureau.

It would be naïve to discuss the importance of statistics as such. The time is over when such discussions appeared necessary. It seems to me, however, that in our times—in consequence of the World War, which surpassed in its dimensions all former conflicts in the history of mankind, and of the economic, political, and other effects of the same—it does not suffice any more to consult the statistical data merely. To draw the proper conclusions, for which formerly statistical data may have been sufficient, today a deeper penetration, a closer examination into the facts and their connection with each other is required. In this way only within the limits of human knowledge can reliable conclusions for the future be reached.

In the year 1914 the War broke out. It took four years of fighting, it cost the lives of millions of young and energetic men, before an armistice was concluded. What took place after the Armistice can hardly be called by any other name than the continuation of the War in the economic field.

To political economists and to all people whose occupation lies in the economic field it should be clear that, though the sanguinary combat of the opposing armies has ceased, the state of war continues undiminished between the several economic territories. The noise of arms, the thunder of cannon were silenced twelve years ago, but the economic war is still weighing heavily on all nations, and economic values are being destroyed every day just as the tools of war destroyed human lives on the fields of battle.

What do we find, when we examine the economic situation of the various countries? Instead of an improvement of their situation, we find conditions growing gloomier every day, due to causes of which we wish to treat here only one, that is, the striving after economic self-sufficiency. In other words, it becomes more evident each day that every country endeavors to supply all the wants of its economic territory and to do away with imports from other economic territories.

Looking at the new map of Europe, it can be seen at a glance that formerly large economic units were cut to pieces

and made smaller, while countries formerly small in size were enlarged in territory. The big manufacturing plants erected in formerly large states became, thus, places of production for small states and had to leave part of their capacity unutilized, while the plants situated in the formerly small states had to be enlarged in order to supply the demands of the enlarged domestic market. Capital was thus destroyed both ways. The reduction of operations in several countries with diminished areas appears to be just as much a destruction of capital as the enlargement of plants of relatively small size which have been made into plants of larger dimensions on account of the boundaries of the country having been extended. In order to make myself entirely clear, I shall place before the readers of this treatise the case of my own country, Hungary, as an example. I do so not with any intention of discussing politics or arguing about the question whether and how the errors committed could be corrected, but merely with the view of making myself better understood by citing examples from realities in confirmation of my conclusions.

Prior to the World War Hungary had a population of nearly 21 million and was one of the two states constituting the Austro-Hungarian Monarchy, within which Hungary's agricultural and industrial products could be marketed free of duty. The development of Hungary's manufacturing industries to the extent which they were at the outbreak of the War was fully justified by the conditions then prevailing. Special circumstances caused the concentration of a very considerable part of the manufacturing plants in and around the capital, Budapest. That such geographical distribution was right is proved by the fact that the country's industrial production rose from year to year, and the extension of manufacturing activity showed a continuous line of development.

Then came, in 1918, the end of the War. The peace treaties were signed; new boundaries were fixed. And what do we see in this connection? To use Hungary's example, it may be seen there that the manufacturing plants which were made to fit the size of the former Dual Monarchy have become much too large for the territory reduced by the new

boundaries, and, as a consequence, they had either to reduce operations or to export the major part of their output. To the readers of this treatise it is unnecessary to prove at length that both alternatives are of considerable disadvantage. The reduction of operations to such an extent as to satisfy only the home demand of the reduced territory makes the amortisation and fructification of the capital invested impossible. The result is the same when the other alternative, forced exports, is resorted to. Under rational management, especially in the case of mass-production, by much the larger part, about 80%, of the output should be placed on the domestic market, and only 15% to 20% sold abroad. The prices obtainable on the home market can stand only in rare cases an export charge of more than 20%, and they will surely result in a loss to the manufacturer if the exports reach larger proportions, as is now the case with many articles in most of the countries of Europe.

That such conditions make their harmful effect felt not only in the exporting countries but also in those in which exported goods are to be placed is shown by the fact that, as a consequence of the greatly increased production, such export goods are offered at unmistakable dumping prices. Thus the fight made to place goods abroad affects also the manufacturing interests of the countries where the goods are to be sold. In other words, due to the new boundaries, the diminished purchasing capacity, etc., production appears to be everywhere so overdimensioned that operations can be maintained only when exports are increased to an extraordinary extent. Such extraordinarily large quantities, however, can be exported only at a proportionately reduced price level. If, therefore, a country, reduced in territory but working with large plants made originally for a larger economic unit, produces considerably more than it can consume itself and thus has to export much more than before the War, it will appear on the markets of other countries with prices that will necessitate a reduction of prices in the importing country too, reducing thereby the profit of the manufacturers of the importing country, if not wiping it out altogether.

In nearly all countries we find the same phenomenon, namely, an almost complete transformation of the markets

caused by overproduction. The effects of dumping prices, at which foreign goods are offered, are seen in the hard fight with which each country is compelled to meet the exceedingly keen foreign competition, wherever commercial relations are not regulated by international agreements. This "war of all against all" is an evil which must be done away with soon, or the economic condition of the whole world will suffer even greater harm than it has so far.

It is our positive conviction that this cannot go on much longer. Order must be made in the economic system of the whole world. Production cannot go on in this planless and unbridled way. No matter whether the goods produced are of agricultural or industrial origin, production must be brought into harmony with consumption. The gain, which might be obtained by an increase of production, is in no proportion to the damage that overproduction causes to marketing. The agriculture of one country must come to an understanding with the agriculture of other countries, and the same applies to the manufacturing industries. I know full well that, should the proposed remedy be applied, a long and weary way would have to be traversed before the desired goal is reached. I also admit that there may be some products regarding which it might not be possible to arrive at an understanding as desired. There may be factors at work, the existence of which would become apparent only when the interested parties meet at the conference table. Such possibilities, however, cannot and should not deter anybody. The benefits that may be achieved are worth all exertions which are incurred by such negotiations.

I feel certain that the present state of affairs cannot continue much longer. Some change must be made. I can see no other solution than the one proposed in the foregoing, and I should be very happy if my proposition should contribute toward the desired solution and I could see it realized, if not in all branches of production, at least in those where the difficulties to be overcome are the smallest.

Budapest
August, 1930

THE SYSTEM OF FINANCING JUGOSLAV FOREIGN TRADE AND MEASURES FOR ITS IMPROVEMENT

Report of Mr. S. D. Alexander, President, Mirna Coal Mining Company, Inc., Zagreb

NOTWITHSTANDING the steady growth of domestic industries in the course of the recent years, Jugoslavia is, and for some considerable time to come will remain, a primarily agricultural country. This condition is necessitated by the fact that 30.5% of its total area is covered with forests, that a further 45.5% consists of cultivated land, and that only some 24% of that area represents more or less unfertile soil. This circumstance marks the feature of the Jugoslav foreign trade, which for the last seven years has been showing an active balance-sheet—typical of agrarian countries, exports exceeding imports.

From the aforesaid it will not be difficult to get an idea of the principal export and import items and consequently of the direction of the Jugoslav foreign trade.

I. Exports

As principal export items may be considered:

Lumber, fire-wood, and products of the chemical preparation of wood;
Grain and flour;
Cattle and products of stock-farming;
Fruit, fresh and dried, especially prunes;
Eggs and poultry;
Minerals and ores—Cement, Bauxite, etc.

In general lines, our exports are directed to Italy, Austria, Germany, Czechoslovakia, France, Greece, Holland, England, Spain, Egypt, Tunis, Algeria. Lumber is being exported as far as South America, while cement also goes to South America and even to the Far East.

As it is at present, financing the export trade presents no complications. Buyers come from abroad bringing cash or bankers' guarantees and take delivery of the goods. Some large export firms, most of the large lumber industries, for instance, have their permanent agents or representatives in the chief world markets. They effect sales in about the same way, in the latter case by payment against documents, money being collected either by the respective agent or correspondents of Jugoslav banks.

Before the War, especially in the Jugoslav territories that belonged to the Austro-Hungarian Empire, there were but few local exporting firms who had direct connections with foreign buyers. The bulk of the foreign trade was done by merchants of Vienna, Budapest, and Trieste, who bought the respective products or raw materials in smaller lots and gathered them at Trieste or some other point to be exported abroad. Such exports were financed by Viennese banks, which allowed shorter or longer credits.

Besides, in pre-war days most of the large estates, forests, and mines, a considerable part of the total national wealth, were in the hands of foreign, chiefly absentee, owners belonging to the Austro-Hungarian nobility. Their export operations were directed and financed from their centers by Vienna and Budapest banks.

Now, since we achieved economic independence, the export trade remains essentially the same, except that to a certain extent it is taken care of by local firms, but in somewhat smaller volume, the new peasant land owners not yet being able to achieve the yields of the large estates of pre-war times.

Beside a few instances of firms operating with own financial means, export operations are usually financed by local or foreign banks which have affiliations in Jugoslavia. Mostly the financing is expressed in short-term credits that are being repaid as soon as the exported goods have reached their destination and the proceeds have been collected.

This system of financing existed in pre-war Serbia. Even now that Serbia has amalgamated with the former Austrian Jugoslav territories into one country, the provincial banks—in most cases of very good standing—play an important part

in financing almost the entire exports of grain, prunes, hides, and opium.

In some parts of the country it is still customary for exporters or their local agents to distribute among their prospective suppliers advances, the amount of which is in proportion to the expected crop and the quantity the respective small farmer would eventually be able to dispose of. This system of financing, however, proved in many cases very detrimental for the peasant population and frequently conducive to abuses. To end similar practices and to help the peasants, the government founded last year the Privileged Agrarian Bank and some months ago the Privileged Export Company. This latter institution has the principal task of normalizing prices of agricultural products and of finding the best possible placement for them on foreign markets.

Before both these institutions were established, the National Bank, too, supported export operations of agricultural produce by granting short-term, so-called season credits at moderate rates.

A number of foreign firms exporting raw materials—minerals, ores, etc.—from Jugoslavia have solved the problem of financing their exports in such way that with funds brought from abroad they joined the respective enterprises as partners or shareholders and even obtained their control. As examples, I may mention several large cement factories exporting enormous quantities of cement to all parts of the world.

II. Imports

Among the principal import items there are to be mentioned:

Raw materials and semi-fabricated goods of all kinds, especially raw cotton, cotton-yarn, etc.;
Textiles;
Machines, tools, and electrical material;
Agricultural implements;
Colonial produce;
Mineral oils.

Even with the help of the Annual Report of the Customs Administration, it would be rather difficult to give the exact origin of each imported article, many of them, as, for instance, colonial produce, coffee, tea, etc., coming to Jugoslavia by way of London, Hamburg, or Trieste. Still the greater part of imported industrial products come from all European industrial countries, and a small portion only from America.

In comparison with exports, Jugoslav imports are more easily financed. Certainly, a good many import transactions are still being done in way of 90 or 120 days sight rembourse credits, usually opened in London, Hamburg, or any other market abroad, but that is no longer to be considered a rule. These credits are opened abroad because of their lower cost on foreign markets, some 1 to 1.5 per cent being charged per annum. But now even the most conservative British manufacturers have already given up insisting upon old principles, and as soon as they find a solid buyer they very willingly grant open credits on 120 to 180 day basis. This practice has been long ago adapted by Austrian, Italian, German, and Czechoslovak manufacturers. Otherwise, smaller importers are financed by their local bankers, with whom they have current accounts, on rather heavy terms.

Financing of the export trade could be essentially improved only through a larger inflow of foreign capital, which would find here sound placement on international terms more favorable than the average. Thereby an organized form of the export trade would be achieved. This opportunity has naturally been taken first by the countries which, through their former relations with this part of the world, were in a better position to know more intimately its resources and conditions in general. France, with its huge plans for developments in Dalmatia, and England, by considerable engagements in mines and forest industries, are following step.

The terms of financing our import trade are getting better in the measure as the principal exporting countries are building up their direct relations to our market and losing the original distrust for new, comparatively little-known countries. May I add the friendly remark that the American export trade seems to have made little or no efforts in this

regard? Some of the American manufacturers stick to their cash against documents, preferably in New York terms, even in cases when the importer is able to produce a balance-sheet that would command a certain respect in the United States also.

Zagreb
August, 1930

ECONOMIC SITUATION OF JUGOSLAVIA FOR THE FIRST SIX MONTHS OF 1930

Report of Mr. Ignjat Bajloni, Governor of the National Bank of the Kingdom of Jugoslavia, Belgrade

THE Kingdom of Jugoslavia, thanks to the assiduity and people's tendency to save as well as to the rich natural resources with which it is endowed, succeeded happily and quickly in passing over the gloomy post-war situation and economic difficulties with which the other countries of Europe had to struggle. But being one of the important factors of the European economic organization, Jugoslavia suffered as did other countries of Europe from the consequences of the unstable economic circumstances in Europe and particularly from the deficiency of economic co-operation, which after the War completely relaxed, giving up the position to the strengthening of an economic spirit which was oppressed and still stands against the economic co-operation of European nations. The influence of two economic factors has been recently exhibited in a greater measure in Jugoslavia: the first is the influence of the tendency toward agrarian protection in some of the European countries, and the second is aggravation of European economic conditions in general. Agrarian protection acts, in those countries which should supplement Jugoslavia from the standpoint of economic life and to which the country is, as a matter of course, directed for exchange of products, resulted in a difficult position for Jugoslav agriculture, its most important producing branch, which has already suffered much due to the world agrarian crisis.

The whole economic policy of the Kingdom of Jugoslavia consisted and will in future consist of the work on diversion and alleviation of influences coming from abroad which derange its economic progress, at the disposal of which are the best possibilities. It seems that it is today, together with France, the only European country where the signs of

economic decline are not yet noted, but the situation would be far better if the economic disturbance abroad did not aggravate the development of economic activities in the country. Due to this fact, Jugoslavia is endeavoring to strengthen its own home market and to enable it to become in a greater degree the customer of national products, the export of which is met with constantly increasing difficulties. At the same time Jugoslavia is trying its best to establish economic relations with neighboring countries that will make possible more intensive development of commercial relations. As a result of such policy an agreement relating to a customs union was signed with Roumania, August 1, 1930. When the idea of economic unity of those two countries becomes completely realized, a new economic unit of Europe will be brought into existence, which will hold second place in Europe in area, while it will be in many respects a new and an important factor in European economic life. It is hoped that some of the neighboring countries will be included in this customs union, of which only the best advantage may be expected.

About the end of the second quarter of this year rapid aggravation of economic conditions abroad began to be felt more strongly in Jugoslavia. One may have noted especial aggravation of the situation of industry, which, with the exception of certain branches of agriculture, favorably progressed in the course of a number of years past. Today, however, low prices prevailing abroad affect our industry in such a way as to bring it to a very difficult position as regards the competition with foreign products, that are often offered for sale at prices which are below producing cost. The whole, rather moderate, customs protection which applies to industry becomes in this way illusory. One may expect that this year's excellent harvest will improve the purchasing power of agriculturists and result in the improvement of the situation of trade and industry, provided that the world economic situation does not become still worse and that the export of products of the country is not diminished.

Up to the present time, foreign trade results are favorable. The deficit, which appears for the first six months of

each year in our balance of trade, amounts to 115 million dinars for the first six months of this year as against 690 million for the corresponding period of 1929. For the same period our exports increased 379 million, while a decrease of 200 million is noted in imports. The export of maize increased to 347 million dinars as against 32 million dinars for the corresponding period of 1929; of wheat, 239 million from 119; of dressed poultry to 43 million from 18 million, etc. The decrease in exports of our most important article is noted, that is timber, the export of which amounted to 686 million dinars as compared to 697 million for the corresponding period of 1929. The export of cattle fell during the same period from 141 to 139 million dinars, that of fresh meat from 97 to 76 million dinars, of horses from 56 to 36 million dinars, etc. Our principal customer for the first six months of 1930 was Italy, participating with 29.27% in our export trade, followed by: Austria, 16.81%; Germany, 10.92%; Hungary, 6.81%; and Czechoslovakia, 6.19%. In our import trade Czechoslovakia is holding the first place, participating with 17.23%, then comes Austria, 17,18%; Germany, 16.48%; Italy, 11.52%; England, 6.33%; Hungary, 5.61%. The United States, with 4.32%, holds seventh place in our import trade, while it holds fifteenth place in our export trade.

The following is the statement of foreign trade of Jugoslavia in course of recent years:

	Import In Thousand Dinars	Export In Thousand Dinars	Export Surplus − Import Surplus +
1927	6,400,153	7,286,291	−886,138
1928	6,444,700	7,835,326	−1,390,626
1929	7,921,708	7,594,750	+326,958
First half-year of 1930	3,362,365	3,478,133	−115,768

Official data relating to the yield of cereals show a very favorable situation. The wheat harvest, which is already over, gave very good results. The following figures present the wheat harvest yield for the past four years:

	Expressed in Metric Centals
1927	15,395,455
1928	28,112,362
1929	25,854,647
1930	24,223,371

The maize promises to give excellent results, and it is very likely that the yield will not be below that of the last year, when it amounted to 41,476,640 metric centals.

Our mines show increasing activities. The output, expressed in tons for the first quarter of this and preceding years, is as follows:

	1930	1929
Coal	1,977,104	2,171,241
Lignite	472,694	190,661
Iron ore	218,716	181,398
Copper ore	350,876	180,932
Pyrite	34,295	24,370
Bauxite	35,423	39,400
Lead ore	60,868	15,105
Chrome ore	23,234	14,629

Parallel to the downward trend of prices abroad, prices in our country decreased. Only in July prices recovered slightly. The whole view of the movement of prices in Jugoslavia is given by the following statement of index numbers of wholesale prices, prepared by the National Bank:

	Agricultural Products	Live Stock Products	Mineral Products	Industrial Products	Total Index
1927	112.3	104.3	92.2	99.3	103.4
1928	130.1	108.6	86.4	98.0	106.2
1929:					
January	137.5	102.5	84.2	94.4	104.4
February	133.1	109.9	83.3	95.8	105.5
March	137.6	109.0	83.3	96.2	106.6
April	135.7	110.2	82.8	95.6	106.0
May	127.6	110.0	83.6	94.6	104.0
June	117.5	109.5	82.5	93.1	101.0
July	109.8	113.3	84.2	91.8	99.7
August	106.3	113.7	84.2	91.2	98.6
September	102.9	107.2	84.4	90.2	96.2
October	106.6	106.0	84.4	89.9	96.8
November	106.0	99.2	88.2	89.2	95.3
December	102.3	95.8	88.2	89.2	93.7
1930:					
January	104.5	98.2	88.5	86.6	93.6
February	100.7	97.1	88.3	85.9	92.1
March	95.9	102.5	88.7	83.6	91.1
April	95.3	99.2	88.7	82.1	89.6
May	94.0	99.9	87.5	81.0	88.8
June	91.5	93.7	88.3	80.5	86.8
July	96.7	97.7	89.1	80.2	88.8

The state receipts show a rather good progress, amounting to 5,815 million dinars for the first six months of this year,

and exceeding by 598 million those of the last year. The maximum increase is noted with direct taxes, which compared with the first six months of the preceding year show an increase of 388 million dinars. The increase of excises is represented by 260 million, while that of monopolies, by 56 million dinars.

The movement of state revenues in course of recent years was the following:

In million dinars

	Direct Taxes	Excises	Monopolies	State Enterprises
1926–1927	1,828	3,577	2,529	3,467
1927–1928	1,754	3,594	2,388	3,499
1928–1929	1,742	3,349	2,304	3,406
1929–1930	2,342	3,731	2,374	3,657
1930–first half year	984	1,858	1,106	1,821

Money abundance is prevailing on the money market. The volume of savings deposits with banks is constantly increasing, so that the balance of savings deposits, at the end of the first half year, show an increase of 15% over that of the corresponding quarter of the preceding year. Such an abundance of money may prove to be an important factor in case of eventual revival of business activities.

It is impossible to foresee at present whether such a revival will take place and in what proportions it will be exhibited. The key of our economic situation may be found in the position of economic life of the world, the aggravation of which up to now slowed down, but could not paralyze strong tendencies of the economic development of our country. If the fact is recognized that the recent world economic situation reached its lowest level and that there is a possibility of a change for the better, then we may expect the beginning of more intensive development of economic activities in the Kingdom of Jugoslavia.

Belgrade
August, 1930

CANADA AS A CAPITAL EXPORTING NATION

Report of Sir Henry W. Thornton, Chairman and President, Canadian National Railways, Montreal

THE consideration, at the present time, of Canada as a capital exporting nation is particularly apt. There can be no doubt that profound economic changes and readjustments are taking place in the world at large. The Great War has had the effect of seriously disrupting previous trade channels, of changing the distribution of monetary wealth, of creating huge international indebtedness, which together have driven world business into a fog of uncertainty and temporarily arrested the progress of modern business and business development. The world is striving for stability in the choppy economic seas in which it finds itself. If, therefore, we can fix on some points which will aid navigation, the world will more quickly emerge from the fog and continue on its course of economic development. I think one of these points is undoubtedly a fuller and more accurate knowledge of international balances of indebtedness and international investments. In general, statistical enquiry into these matters is of comparatively recent origin. The data are neither as complete nor as authoritative as we would like, but the compilation of these statistics, with all their shortcomings, is a step at least in the direction of a knowledge which may do much to promote better understanding between nations. Knowledge must be had to create understanding, understanding to create confidence, and confidence to create the larger superstructure of international credit, without which it is doubtful if modern industrialization can progress far.

So far, these compilations of international balances do not differentiate between international capital investments of the loan type and ownership type. Capital investments of a definite interest-bearing type are comparatively easy to arrive at. Capital investment of the ownership type is much more elusive and much more difficult of estimation, though hardly less important. A fuller study and a knowledge of the exact

trading and investment relations, as between nation and nation, will make the future study of tariff barriers more vital and their construction less haphazard. A fuller knowledge by creditor nations of the extent of their loans and ownership in a debtor nation and of the fact that all loans must eventually be repaid in goods or services will do much to eliminate uneconomic trade barriers which impede the free flow of commerce. The day of complete national isolation, in an economic sense, is long past, and, if our modern mechanized civilization is to progress, nations must act on the realization of their economic interdependence. The War pointed out several errors and limitations in our social and economic structure. It has indicated, for instance, in no uncertain manner the serious limitation of the world gold supply to support an expanding credit structure even without the artificial strain put on it by wars. It has indicated that only by international confidence and co-operation can the constantly dwindling gold supply be made to function efficiently. But how can we know what gold and credit capital has to do or what the magnitude of its task, if we have no full and reliable knowledge of international balances and capital investments? One good thing at least do national barriers contribute to the study of our economic problems: they form a line of demarcation without which statisticians would be hard put to it to gather the primary data for the study of international economic problems.

Since the year 1923 Canada has shown a remarkable transposition among the trading nations of the world. Prior to the War, it was a net capital importing country with an adverse balance of trade in the visible items. At that time, in the visible items, it ranked seventeenth among the trading nations of the world with an adverse balance for the year 1914 of $223 million. At the end of 1927 it stood third with a favorable balance of $151 million. While in a new or pioneer country it is a condition of normalcy to be a net capital importer and a priori with an adverse trade balance in the visible items, it becomes, after development has proceeded to a certain point, a normal event for that country to have a favorable trade balance in order to repay the previous capital investment, and it is a sign of approaching business maturity

when that country begins to be a net capital exporter. Canada has, since 1923, entered the last category, and, while of course Canada still has and will have for some time large needs and opportunities for new capital, our present purpose is an examination of what the trade balance changes have been and why they have occurred.

Canada may be looked upon as a new country in an old world, but, as a matter of fact, from the point of view of modern mechanized industry the whole world is new with Canada in exhibiting signs of capital and industrial adolescence. Canada is new in the sense of still having a wealth of undeveloped natural resources and mature in the sense that it has a people endowed with the initiative and the technical and financial abilities which a successful modern nation must possess to make its natural advantages and resources available to the economic world. In its very newness Canada has a tower of strength. Its natural resources are in the main yet to be developed, and its people, while they have just as much to learn as have others, have far less to forget.

Keeping always in mind the approximate nature of figure estimates as to wealth, trade balances, and foreign investments, which, while they must be doubted in the absolute, nevertheless indicate trends, we see Canada with a total estimated wealth of $30.5 billion, a total investment in Canada by foreign nations of $6 billion, and a Canadian investment abroad of approximately $1.7 billion. Canada, therefore, has a tremendous interest in the continuing stability and economic progress of nations. The estimates of Canadian investments abroad, as at the end of each of the past three years, which are published by the Dominion Bureau of Statistics and tabulated below, show an interesting growth in Canada's foreign investments.

In thousands of dollars

	1927	1928	1929
Government credits and balances	$47,244	$45,000	$44,000
Balances of chartered banks	238,447	187,614	79,161
Securities held by banks	95,682	95,000	95,000
Insurance companies' investments	285,969	320,000	350,000
Direct industrial investments	297,818	315,000	352,300
Miscellaneous	613,914	730,000	837,200
Total	1,579,074	1,692,614	1,757,661

Although these figures show Canada's continuing participation in the foreign investment field, yet during this period, as compared with the past seven years, the rate of Canada's foreign investment has slowed up materially. One leading Canadian bank estimates that during the past seven years Canada has produced wealth at a rate which permitted the net export of capital to the amount of about $8 billion. The slowing down can be accounted for by Canada's larger absorption of domestic issues, by the repurchase of more than $500 million worth of Canadian securities held abroad, and by the warning clouds of economic uncertainty which have been gathering in the sky of world business and which undoubtedly have placed a restraint on the investment policies of those institutions responsible for the major part of Canada's investments in foreign fields.

The changes in Canadian investments abroad during the past two years, given below in tabular form, show a marked reduction in Canadian bank balances abroad.

	Changes during 1928 Thousands of Dollars			
	In U. K.	In U. S. A.	In Other Countries	Total
Participation in new foreign issues	$1,753	$2,688	$47,994	$52,435
New direct investment	300	11,787	5,095	17,182
Purchase of old foreign securities—net	..	75,000	22,000	97,000
Total new investment	2,053	89,475	75,089	166,617
Decrease in government and bank balance	10,945	31,033	11,099	53,077
Net new investment in 1928	−8,892	58,442	63,990	113,540
	Changes during 1929 Thousands of Dollars			
	In U. K.	In U. S. A.	In Other Countries	Total
Participation in new foreign issues	..	$41,450	$3,750	$45,200
New direct investment	..	10,000	27,300	37,300
Purchase of old foreign securities—net	2,000	70,000	20,000	92,000
Total new investment	2,000	121,450	51,050	174,500
Decrease in government and bank balance	21,691	64,571	23,191	109,453
Net new investment in 1929	−19,691	56,879	27,859	65,047

Loans abroad by chartered banks decreased by $60 million during 1929, while deposits in foreign branches increased

by $40 million. The decline in foreign bank balances is explained by Canada's rapid expansion of production and business, with a consequent heavy domestic demand for funds. In this the tie-up and the slow marketing of certain primary commodities have undoubtedly done much to retard the rate of money turnover.

Another interesting change in 1929 is the great reduction in Canada's bond investment in European and South American countries. During 1926 and 1927 from $50 to $70 million were invested in such bond issues, and the great reduction of offerings in Canada is accounted for by similar reasons which caused the great reductions of European bond offerings on the New York market. The greater part of the new direct investments abroad is accounted for by the capital expansion of certain foreign utility corporations in which Canadian interests are very large.

The distribution of Canadian foreign investments of approximately $1,757 million is distributed—$103 million in Great Britain, $989 million in the United States, and $664 million in other countries, these last being chiefly the South American countries and Mexico. Investments in Great Britain show a tendency to decrease, while investments in the United States show a steady increase during the past four years, growing from approximately $725 million to $989 million. The contiguity of Canada and the United States and the intimate knowledge of each other's country and conditions accounts for the growing investment interest between them. Canadian banks and other Canadian interests have for many years taken a prominent part in the business development of South American countries, the Caribbean Archipelago, and Mexico. A number of the large public utility corporations in those countries are either controlled or have been developed by Canadian enterprise and finance. Canadian chartered banks have upward of $370 million on deposit in their foreign branches, much of which is attributable to the Latin American countries.

For the person accustomed to thinking of Canada as a continued net importer of new capital, it may be well to explain the foregoing by briefly reviewing Canada's average

trade and payment balance during the periods from 1909 to 1913 and from 1924 to 1928.

For the period before the War the compilation is attributable to Professor Jacob Viner, and for the subsequent period to the Dominion Bureau of Statistics. As both Professor Viner and the Dominion Bureau of Statistics are careful to point out, there is a margin of possible error in these figures, but with this in mind they may be taken as the best at present obtainable and provisionally valid. The year 1923 marked the change of Canada from a net capital importer to a net capital exporter, so that the two periods may be considered as best illustrating the trend of Canada's trade development.

In millions of dollars

	Yearly Average 1909–1913			Yearly Average 1924–1928		
	Credit Movements	Debit Movements	Balance	Credit Movements	Debit Movements	Balance
Merchandise exports and imports	$346.8	$528.1	−$181.3	$1,239.1	$987.1	+$252.0
Exports and imports of gold	..	8.7	−8.7	57.1	42.3	+14.8
Unrecorded imports of ships	..	1.6	−1.6	..	1.5	−1.5
Total visible items	346.8	538.4	−191.6	1,296.2	1,030.9	+265.3
Freight receipts or payments	6.8	22.9	−16.1	98.7	109.0	−10.3
Tourist expenditures	26.1	28.7	−2.6	203.0	83.4	+119.6
Interest receipts or payments	8.8	106.4	−97.6	62.2	276.1	−213.9
Non-commercial remittances	8.5	45.7	−37.2	14.9	20.5	−5.6
Government expenditures	..	..	..	11.8	11.1	+0.7
Charities and missions	..	..	..	0.9	1.9	−1.0
Insurance transactions	3.3	5.1	−1.8	22.1	20.1	+1.9
Advertising	..	..	..	3.4	..	+3.4
Motion picture royalties	..	..	..	..	3.5	−3.5
Immigrants' and emigrants' capital	42.2	20.2	+24.0	9.4	14.1	−4.7
Exports and imports of electricity	..	..	..	2.7	..	+2.7
Net capital balance	322.9	..	+322.9	..	154.6	−154.6

A comparison of the net capital balances shows that in the average of these two periods Canada's average annual requirements of $323 million in the first period have changed to an average annual capital surplus of about $155 million in the last period. While capital was imported from abroad during the last period, it was more than offset by Canadian capital export to other countries.

This comparison shows the great change in the Canadian situation as regards gold. The production of this commodity by Canada has undoubtedly been of great assistance in aiding Canada's rapid expansion in the constantly improving trend of its trade situation. Production of gold has increased from $16.6 million during the year 1913 to over $39 million at the end of 1928, and the total gold production in the intervening period was upwards of $367 million. It is interesting to note that Canada's average favorable balance from the total visible items exported during the period 1924–1928 exceeds by more than $50 million the average annual interest charges paid for foreign capital. The phenomenal increase of tourist expenditure in Canada, which has grown from an average annual amount of $26 million to $203 million in the two periods, is very striking. This trade has become one of Canada's largest, and its continued expansion has undoubtedly contributed largely to the change in Canada's trade balance.

The largest item in Canada's external commodity trade is the agricultural group, consisting chiefly of wheat. The value of the exports in this group has risen from $200 million in 1914 to over $550 million in 1928.

Canada's grain trade is undoubtedly the largest factor in its economic life, and its influence and growth must be the first to be considered with regard to improving trade conditions and international balances. The average annual wheat crop during the years 1909 to 1913 was 198 million bushels, and during the years 1924 to 1928, 426 million bushels. The average cash price rose from 98 cents per bushel in the first period to $1.43 in the last.

Ranking next to the agricultural group, Canada's forest products' trade, including pulp and paper, is the largest factor in its external trade. This has risen from $63 million at the end of 1914 to $284 million at the end of 1928. Although during the past decade there has been no striking annual increase in Canada's export of forest products, since 1920 it has averaged $253 million, and this continued high rate of exports has contributed its share to Canada's favorable balance.

There is another factor which should not be lost sight of, and that is the influence of price changes upon the trade

balance. Index numbers of import and export prices are published by the Dominion Bureau of Statistics, making possible a comparison of the average prices of goods imported and exported from year to year, with 1913 taken as the base year.

The following tabulation shows these relative price indexes, and we see that the average prices of goods imported from 1925 to 1929 have been about 29% above the 1913 level, while the average prices of goods exported have been about 43% above the same level. This simply means that the purchasing power of Canada's exports has increased in a greater degree than the contra increase in the prices of goods imported, and, since the post-war export prices have been about 8.5% higher in relation to pre-war export prices than post-war import prices were in relation to pre-war import prices, our annual favorable trade balance for 1925 to 1929 was almost $130 million greater than it would have been had the 1913 price relationship prevailed.

Calendar Year	Prices of Goods Imported	Prices of Goods Exported
1913	100.0	100.0
1920	220.7	229.7
1921	160.4	164.8
1922	135.0	137.8
1923	147.6	136.8
1924	142.0	139.6
1925	139.6	151.7
1926	131.7	147.0
1927	127.0	144.0
1928	127.3	137.6
1929	122.9	137.3

During the last part of 1929 and the early part of 1930 Canada in common with other nations has been suffering its share of the world-wide depression. There are many world economic problems to be solved and adjustments to be made; but, when these are worked out, as they undoubtedly will be, and the world resumes its economic progress, it can be confidently expected that Canada will be found progressively developing, still paying its debt to international capital investment and giving its share of capital contribution to economic growth and progress in other parts of the world.

Montreal
August, 1930

FINANCIAL CONDITIONS IN AUSTRALIA

Report of Sir Lennon Raws, Managing Director, Imperial Chemical Industries of Australia and New Zealand, Ltd., Melbourne

ACCORDING to the figures presented by the Rt. Hon. J. H. Scullin, Prime Minister and Treasurer, when introducing his budget, the public debt of Australia, June 30, 1930, was approximately as follows:

In thousand pounds

	Maturing Overseas	Maturing in Australia	Total
War debt commonwealth	£92,315	£189,779	£282,094
Works and other purposes commonwealth	75,587	15,026	90,613
States	405,727	321,917	727,644
	573,629	526,722	1,100,351

Of the debt maturing overseas, £525,785,652 are payable in London, and £47,842,700 in New York.

A distinctive feature of Australian development has been the extent to which pioneering work has been done by the state rather than by private enterprise. Railways, telegraph, telephone, water supply, irrigation, land settlement have been undertaken by governments and financed by loans raised on the security of the general credit of the country. Therefore, the public debt of Australia is high, but it is covered by substantial assets. The above figures show that after charging the total War debt against loans raised in Australia, there is nearly £245 million of local money, which has been used for other than war purposes. In other words, there are tangible assets in the shape of railways, telegraph, telephone, water supply, irrigation works, harbors, public buildings, etc., which cost £818 million against a foreign debt of £573 million. Although money may not always have been spent wisely, and although some of the undertakings, judged by net earnings, may be overcapitalized,

there is no shadow of doubt that Australia's oversea debt is amply secured by revenue-producing assets.

This preliminary statement is necessary, because the acute financial position of Australia is due chiefly to the borrowing policy of the commonwealth and state governments during recent years. One disadvantage of state enterprise is that the motive is political rather than economic. A "progressive policy of development" based on loan expenditure has been a plank in the platform of every political party in Australia with scant regard for the economic consequences thereof.

By 1922 the War debt abroad had reached £101 million. Despite this the commonwealth and states in the eight years ending June 30, 1928, borrowed overseas more than £200 million for other than war purposes, or at the rate of £25 million per annum. By 1929 the annual foreign interest bill had reached £27.5 million, compared with £14.75 million in 1919.

It was obvious to those who took the trouble to investigate the position that development was being pushed ahead of production too rapidly to enable production to expand sufficiently to provide the increased amount required for interest on loans. It was also evident that, in effect, Australia was meeting its annual foreign interest obligations by fresh loans and that, since it could not indefinitely continue borrowing £25 million annually, a serious financial crisis would develop as soon as the foreign market became unfavorable. Overseas borrowing was having an inflationary effect by creating a buying power in excess of current production. Instead of a surplus of visible exports to provide for interest payments, there was an adverse trade balance made possible only by these borrowings. Imports were high despite increased customs tariffs; costs of production were increased to the detriment of the exporting industries—wool, wheat, butter, beef, mutton, minerals, etc.

This was the skeleton in the cupboard of treasurers during years of apparent prosperity, but no political leader was strong enough to bring it out. So long as London would lend, Australia would borrow.

The trouble started in 1929 when the New York Stock Exchange boom raised interest rates in London to unattrac-

tive levels for long-term loans. Australia was able to borrow in 1929 only £2.1 million, as against the previous average of £25 million. Expenditure on public works had to be curtailed; unemployment increased; budgets would not balance; exchange rates on London rose sharply.

In 1930 the position was made more acute by the fall in prices of Australia's export commodities. For the eleven months to May 3, 1930, the value of Australia's exports, excluding bullion and specie, dropped to £89 million, compared with £133 million for the corresponding months of 1929. There was an adverse visible trade balance during this period of £35 million, which with the current obligations for interest at the rate of £27.5 million per annum depleted Australian funds in London. The position was eased temporarily by the transfer of £27 million of gold from Australian reserves, but by June 30, 1930, there was an admitted shortage of £36 million on London account.

Australia has recognized the paramount importance of meeting its obligations abroad. A conference between government and banks has led to the pooling of all London resources and an undertaking that government requirements would be a first charge thereon. Private banks have been left to ration the balances among their customers, and a super-tariff has been imposed to discourage imports. How soon the exchange positon will rectify itself depends largely on seasonal conditions. Fortunately for Australia, the prospects of the current season are favorable.

A further serious problem confronts Australia in the growth of government expenditure from revenue. In 1915 it was £64.5 million; in 1920, £116 million; and in 1929, £193 million. The annual cost of the War—interest, sinking funds, pensions, etc.—is only £30 million, so that in 1929 there was an expenditure of nearly £100 million more than in 1915 on other than war accounts. This led to taxation of £14.0.1 per head in 1929, compared with £8.16.9 in 1919 and £4.16.2 in 1915. Despite this increased revenue the accumulated deficit on June 30, 1930, was estimated at £22 million.

Losses on railways are the most disturbing feature in this increased expenditure. In fifteen years to 1929 the aggregate

losses were £45 million, of which nearly £23 million were incurred in the last four years. These losses are after providing for interest but not depreciation and have been made good by taxation.

Political control is largely to blame for this result, and it is symptomatic of what has occurred in other government undertakings. In fact, politics is largely to blame for the financial and economic troubles which now exist. Australian politicians beguiled the people into the belief that it was possible by legislative action to establish a standard of living irrespective of production and world's prices. The system has broken down, but it is not clear that the lesson has been brought home yet to all concerned.

The fundamental soundness of Australia has not been affected by the setback. There are large areas of good land opened up by irrigation schemes that are still unoccupied. There are extensive tracts of country in regions of regular and sufficient rainfall that are capable of intensive cultivation. The productivity of the agricultural and pastoral lands has not been affected; the climate is the same. Australia will emerge from this crisis all the stronger for the discipline experienced and with the possibilities of future development and prosperity unimpaired.

Melbourne
August, 1930

ECONOMIC CONDITIONS IN JAPAN DURING THE FIRST HALF YEAR, 1930

Report of Baron Koyata Iwasaki, President, Mitsubishi Company, Tokio

General Survey

THE most serious development during the period under review has been the radical decline in commodity prices, a decline which has been world-wide in dimension, but which in this country has been aggravated by the return to the gold standard early in the present year. It was, of course, well known that prices in Japan would need to fall substantially once the gold embargo was abolished, in order to come into harmony with world levels, but the informal decision to dispense with the embargo antedated the universal slump in prices and even the stock exchange panic in the United States. The subsequent price decline abroad widened the disparity already existing between domestic and international levels, rendering the readjustment infinitely more difficult. This and other problems, such as the incidence of higher tariff rates in many countries and the renewal of the civil war in China, entail great loss to producers in this country, and their solution must necessarily require time as well as concerted effort and sacrifice.

Surveying the developments in industry and trade during the past half year, it must be admitted that the economic situation has been a great deal worse than could be expected. For the first time in many years the index of production has shown a substantial, although no doubt temporary, retrogression. Agriculture, too, has little cause to be gratified with the situation, as the abundant supplies and consequent low price of rice, and, still more, the unprecedented slump in raw silk and silk cocoons, have seriously curtailed the revenue of farmers.

In view of the slowing down of productive activities, a real problem of unemployment has developed for the first time in the modern industrial history of this country. The distress caused by this development is not confined to the cities,

as many unemployed workers tend to drift back to their native villages, thereby intensifying the difficulties of rural districts.

Finance, Banking, and the Money Market

In conformity with the exigencies of the period that witnessed the return to the gold standard, the national policy in finance has been one of conservatism and retrenchment. The normal rate of Japanese exchange has been fully maintained, although at the cost of an outflow of gold totalling 225 million yen. Deducting from this total the acquisitions of gold from China and gold producers to the amount of 28 million yen, the national gold reserve suffered a reduction of 202 million yen, amounting to 871 million yen at the end of June.

In spite of the decrease in the national gold reserve, the gold coverage of the note circulation, which has also decreased, continues to be ample. The development of the ratio of the gold reserve to note circulation is shown in the following table:

	Gold Reserve Million Yen	Notes Issued Million Yen	Reserve Rate Per Cent	Total of Note Issue Plus Current Deposits with the Bank of Japan Million Yen	Reserve Rate Per Cent
January 11, 1930[1]	1,073	1,253	85.6	1,776	60.4
May 29, 1930[2]	870	1,136	76.5	1,452	59.9

[1] January 11, date of abolition of gold embargo.
[2] May 29, minimum record of gold specie reserve during the first half of this year.

Development of Gold Reserve and Notes Issued

In thousand yen

	Gold Reserve	Notes Issued	Excessive Fiduciary Issue
June 30, 1926	1,058,125	1,388,010	209,884
June 30, 1927	1,062,713	1,464,604	281,890
June 30, 1928	1,062,738	1,462,655	279,916
June 30, 1929	1,064,234	1,462,119	277,885
January 11, 1930	1,073,107	1,253,407	60,300
May 29, 1930	870,433	1,136,060	145,627
June 30, 1930	871,366	1,291,261	299,894

In spite of the difficult economic situation, no serious bank failure has occurred during the past half year. The amalga-

mation movement has greatly moderated, but many banks are showing a laudable desire to strengthen their positions by a reduction of dividends distributed to shareholders.

The accumulation of surplus funds, which had continued since the financial crisis of 1927, has ended, and a reverse tendency has even been in evidence since the removal of the gold embargo. This change has been paralleled by the tendency of bank deposits, which have also decreased, owing to the reduction in interest rates early last year and the withdrawal of funds for investment in Japanese bonds on foreign markets.

Contrary to the tendency of deposits with ordinary banks, the deposits of savings banks have shown a marked increase. Postal savings have also shown a continued increase, while funds in trust decreased but slightly since the beginning of this year. It is noteworthy that the development of deposits with the various groups of banks has been largely affected by the rate of interest and other terms governing such deposits, as follows:

Ordinary bank's fixed deposits A..... 4.185%, excluding tax of .07%
Ordinary bank's fixed deposits B..... 4.65%, excluding tax of .07%
Savings bank's fixed deposits..... 4.185%, excluding tax of .07%
Savings bank's deferred savings..... 4.5%,
Savings bank's ordinary savings..... 4.8%,
Money in trust..... 4.836%. Compulsory duration of two years. Excluding tax of .07%.
Postal savings..... 4.8%.

	Ordinary Banks			Savings Banks	Postal Savings	Money in Trust
	Total	First-Class Banks[1]	Others			
Deposits						
June, 1926	8,797,482	3,595,857	5,201,625	980,674	1,155,310	341,127
June, 1927	8,810,881	4,085,667	4,725,214	1,012,147	1,470,552	553,514
June, 1928	9,091,662	4,615,918	4,475,744	1,161,677	1,678,759	867,048
June, 1929	9,244,259	4,823,402	4,420,857	1,349,435	1,918,195	1,118,142
December, 1929	9,213,177	4,853,820	4,359,297	1,421,138	2,051,125	1,163,372
June, 1930	8,954,659	4,779,906	4,174,753	1,480,756	2,250,899	1,155,021
Advances						
June, 1926	8,373,934	2,800,180	5,573,754	222,525	..	..
June, 1927	8,291,056	3,076,658	5,214,398	269,682	..	..
June, 1928	7,464,245	2,879,248	4,584,997	301,916	..	..
June, 1929	7,324,465	2,993,979	4,330,486	360,893	..	..
December, 1929	7,147,337	2,974,549	4,172,788	402,848	..	..
June, 1930	7,098,459	3,037,888	4,060,571	421,822	..	..

[1] First-class banks represented by 12 commercial banks affiliated with the syndicate.

The expectation that the return to the gold standard would not be followed by an abrupt change in money rates has, so far, been verified. Ratios have in general shown the low level maintained since the financial crisis of 1927, being little influenced by developments in foreign financial centers. While the incidence of low money rates has somewhat taken the edge off the serious depression resulting from the world-wide price decline, it must be admitted that this very depression, by curtailing the requirements of funds for industry, has been a large contributory factor to the maintenance of easy money conditions. An improvement in business may, therefore, be followed by competing demand on the money market and an early rise in interest rates.

Although the money market in this country has experienced little change, rates are now somewhat higher than those obtaining in the United States, owing to the deflationary effects of the stock exchange debacle in that country.

Comparison of Money Rates in Japan and the United States

Period	Call Money				Discount Rate			
	Tokio		New York		Osaka Spinners' Bills		New York Prime Bankers' Acceptance, 90 Days	
	Maximum Per Cent	Minimum Per Cent	Maximum Per Cent	Minimum Per Cent	Maximum Per Cent	Minimum Per Cent	Maximum Per Cent	Minimum Per Cent
1927, first half, average	5.12	4.72	4.75	3.86	7.00	6.10	3.82	3.75
1928, first half, average	4.03	2.52	5.92	4.37	5.15	3.41	3.88	3.67
1929, first half, average	4.05	2.99	13.67	6.42	5.34	3.27	5.40	5.17
1930, first half, average	4.03	3.44	4.33	3.00	5.84	3.29	3.27	2.88

Price Conditions

The wholesale price index showed a sharp decline of 12% during the first half of the year, the fall for the year ending June 30, 1930, reaching 19.2%. The price level in this country has now been reduced to the lowest position since the beginning of the World War. In addition to external causes, such as the universal depression and the fall of silver, the return of the gold standard and the consequent appreciation of Japanese exchange have rendered the price decline in this

country particularly severe. The decline has been greater than during any year since the crisis of 1920, excepting a fall of 40.7% in the year immediately after that crisis.

The decline was especially marked in textiles, which descended to 101, almost the pre-war figure. Unfortunately, commodities that are very important from the viewpoint of foreign trade were severely affected, the decline in raw silk, habutai, cotton yarn, and imitation nankeen reaching 33.7%, 32.5%, 49.3%, and 33.7%, respectively, during the past year, by far the greater part of the decline being experienced in the first half year of 1930.

The wholesale index in June, 1930, stood at 135, compared with 115 for the United States and 113 for Great Britain.

RATE OF DECLINE OF COMMODITY PRICES AFTER THE CRISIS OF 1920

Period	Japan			U. S. A. Per Cent	Great Britain Per Cent
	General Index Per Cent	Commodities of Domestic Consumption Per Cent	Commodities of International Consumption Per Cent		
March, 1920 – March, 1921 Period of crisis	40.7	28.4	44.1	45.1	32.3
December, 1921 – December, 1922 Earlier period of readjustment	11.6	13.7	11.3	20.1	3.1
December, 1924 – December, 1925 Preparatory period for the removal gold embargo	9.3	6.0	10.0	0.5	11.7
December, 1925 – December, 1926 Preparatory period for the removal gold embargo	12.9	6.8	15.0	8.5	5.0
December, 1924 – December, 1926 Preparatory period for the removal gold embargo	21.0	12.4	23.5	8.0	16.1
June, 1929 – June, 1930 Period affected by removal of gold embargo and world-wide depression	19.2	17.1	19.7	15.4	15.0
June, 1930 Total decline since March, 1930	59.9	49.7	62.9	48.9	63.3

The Japanese index includes a few commodities of purely domestic consumption, which have not entirely followed the universal price decline. Excepting these commodities, the Japanese index would be reduced to 122 for articles of international consumption and may, therefore, be said to have closely approached the international level.

Similarly to the experience in other industrial countries, retail prices have not declined to the same extent as wholesale prices. The retail price index in June, 1930, stood at 156, the decline during the past year being only 14.8%.

DEVELOPMENT OF PRICE INDEX COMPARED WITH FOREIGN COUNTRIES

Base: 1913 = 100

			March, 1920	June, 1929	June, 1930
Japan	Wholesale price index	General price index (A)	337	167	135
		Commodities of domestic consumption	366	222	184
		Commodities of international consumption (B)	329	152	122
		Grain	266	147	114
		Food	275	191	165
		Clothing	383	141	101
		Metal	362	140	107
		Materials of building	367	200	158
		Fuel	348	179	158
		Miscellaneous	337	171	148
	Retail price index[1]		..	183	156
U. S. A.	Wholesale price index (C)		225	136	115
Great Britain	Wholesale price index		308	133	113
Difference between price indexes in Japan and U. S. A.	A and C		112	31	20
	B and C		104	16	7

[1] Retail price index based on the average for July, 1914.

INDUSTRIAL AND COMMERCIAL SITUATION

Industrial production during the first half of the present year has slowed down, even when not considering the normal annual rate of expansion in this country.

	Real Index	Trend Figure	Difference
1927, first half, average	124.76	132.48	−7.72
1928, first half, average	132.19	141.41	−9.22
1929, first half, average	150.95	150.34	+0.61
1930, first half, average	148.55	159.27	−10.72

The declining tendency in industrial production has been mainly brought about by restrictions on output due to the pronounced business depression and the consequent accumulation of stocks.

The cement and textile industries have been most severely affected, the former on account of the termination of building in the regions devastated by the earthquake of 1923, the latter because of overproduction, the sharp decline in price levels, and the fall of silver. In the case of artificial silk, which promises to become an important industry, the expansion in output has been encouraging, although it appears to have outgrown the possibilities of sales at the moment, and production is now slightly curtailed.

The iron and steel, copper, and coal-mining industries suffered from the decline in values in the chief producing countries, as did the sugar-refining industry. Ship-building, which was fairly well employed a year ago, suffered from a lack of orders; and a large number of workmen had to be laid off in consequence. The shipping situation was very unfavorable, with hardly any prospects of recovery in the near future.

The total foreign trade during the first half year of 1930, including trade of the colonies with foreign countries, showed a marked decrease of 665 and 461 million yen as compared with 1929 and 1928.

FOREIGN TRADE INCLUDING CHOSEN AND TAIWAN DURING THE FIRST HALF YEAR

In thousand yen

	Exports	Imports	Total	Excess of Imports
1928	974,833	1,281,523	2,256,356	306,690
1929	1,048,162	1,402,060	2,450,222	353,898
1930	754,367	1,040,377	1,794,744	286,010

The export trade of Japan proper totalled 732,194,000 yen; the import trade, 956,063,000 yen, showing a decrease of 284,758,000 yen, or 28%, and 343,293,000 yen, or 26.4%, as compared with the previous year.

The decrease in exports as well as imports has been mainly brought about by the lower price level, but exports have, in

addition, been hampered by tariff increases in several countries and political unrest in China and British India.

As regards the export trade classified by commodities, the decrease was largely due to recessions in raw silk, 50.6%, cotton tissues, 24.6%, and silk and rayon tissues, 24.9%, which together covered 85.4% of the total decrease.

DEVELOPMENT OF EXPORT TRADE OF THREE IMPORTANT COMMODITIES DURING THE FIRST HALF YEAR

In thousand yen

	1929	1930	Decrease	Rate of Decrease Per cent
Total export Japan proper	1,016,952	732,194	284,758	28.0
Total export of raw silk, cotton tissues, and silk tissues	621,561	377,672	243,889	39.2
Others	395,391	354,522	40,869	10.3
Raw silk: value	349,612	172,775	176,837	50.6
volume[1]	250,124	148,330	101,794	40.7
Cotton tissues: value	198,738	149,908	48,830	24.6
volume[2]	871,528	815,940	55,588	6.4
Silk tissues[3] value	73,210	54,988	18,222	24.9

[1] Raw silk in bales.
[2] Cotton tissues in thousand square yards.
[3] Silk tissues include artificial silk tissues.

The most important import commodity showing a decrease was raw cotton. The decrease totalled 106,059,000 yen, or 28.8% of the figure for the corresponding period of last year, when imports were abnormally large. On account of the lower price level ruling this year, the decline in volume was less pronounced.

DEVELOPMENT OF IMPORT TRADE IN RAW COTTON DURING THE FIRST HALF YEAR

In thousand yen

	1929	1930	Decrease	Rate of Decrease
Total import Japan proper	1,299,357	956,063	343,294	26.4%
Raw cotton: value	366,770	260,711	106,059	28.8%
volume[1]	6,616,522	6,178,500	438,022	6.6%

[1] In piculs.

Conclusion and Outlook

The dismal picture presented in the record of the industrial development of Japan during the first half of the current year unhappily has its counterpart in the economic situation of practically all important countries of the globe. The added difficulties that Japan has had to face in returning to the gold standard at this unfavorable juncture may serve to bring into relief the latent strength of its young industries and the possibilities of expansion, given a favorable opportunity, which still exist in this country.

It is scarcely to be wondered that, in view of the hardships involved, the effectiveness of the policy of financial retrenchment, which became necessary after the return to the gold standard, should have been questioned in many quarters desirous of more positive support for industry and trade. While the latter alternative finds a certain justification in the fact that ours is a growing economy with an expanding population, it is equally true that even the most active measures could not obviate the necessity of adjusting the price level as well as the cost of industrial production in harmony with world conditions.

A silver lining in the present dark situation may be perceived in that the price conditions in this country have at last come down to the world level. This can hardly fail to contribute to greater prosperity in the future, whenever the present world-wide depression shows signs of relief. Further encouragement may be derived from the fact that the present situation has drawn the attention of our manufacturers to the necessity of reducing the cost of production by suitable methods of rationalization. The present movement to this effect has not yet, it is true, run very far, but adversity is a hard taskmaster, and it may, therefore, be presumed that the good work begun will not and indeed cannot be allowed to lapse. As soon as these conditions have been fulfilled and the universal depression relaxes, a determined upward swing will naturally mark the end of the present period of retrenchment.

Tokyo
August, 1930

ON CHINA'S MONETARY STANDARD

An Analysis on the Basis of Present-Day Conditions

By Li Ming, President, Chekiang Industrial Bank, Shanghai

IN foreign countries the impression seems to have gained ground that China's legal currency standard is silver. This assumption is only conditionally correct, for, while silver is the most important medium of exchange for financing the country's foreign trade, the white metal has at no time been officially declared by the governmental authorities to be the basis of China's currency system. It is true that, in terms of the currency laws of 1914, the "yuan," or silver dollar, has been endowed with legal tender qualities, but the original laws have not been carried into effect, for the subdivisions of the silver dollar are, contrary to the original provisions, not yet on a decimal basis, but fluctuate in value from day to day. Furthermore, the circulation of sycee silver, having had its origin in the Middle Ages, continues undiminished in the principal ports as currency uncontrolled by the state.

Taking China as a whole and referring especially to the interior and to the outlying provinces, it has to be admitted that the principal media of circulation are copper coins and paper notes, not silver. An attempt to describe the careers of either copper or fiduciary money circulating in China would mean filling of large volumes with historical and statistical matter. However, it is the intention of the writer to present to his foreign friends a brief essay on the present day silver situation as it affects China and indirectly the producing centers—the Americas.

An old adage says: "A misfortune seldom comes alone." Shortly after silver began its downward move, in the autumn of 1929, our country was afflicted with the curse of a very serious internecine outbreak. These calamities constitute most severe obstacles to the development of foreign trade.

The constant depreciation in the value of silver during the past year has greatly disturbed the foreign trade of China. Innumerable importers, both foreign and Chinese, who have to estimate cost and profit in terms of silver, have found themselves confronted with a situation in which the gold price of their imports, when converted into silver, becomes invariably higher than the price at which they can expect to sell their commodities in silver in China. They have thus sustained considerable losses, and the country's import trade goes through a severe crisis and period of stagnation.

Theoretically speaking low silver prices ought to stimulate exports from China to countries with a gold standard. In practice this assumption has proved to be a fallacy. Foreign buyers of Chinese produce, figuring on a certain low rate of exchange, have found to their grief that, while the goods were en route from China, silver values had receded further. This is tantamount to the recognition of the fact that serious losses are bound to result to the foreign importer of Chinese produce, as long as silver prices are constantly receding. Whatever purchases were made in China by foreign buyers proved to be a sure loss during the period extending from September, 1929, to June, 1930, because a competitor having bought a few weeks after the original purchaser could obtain the same class of merchandise considerably cheaper.

That the disturbed conditions within China, due to the civil war, were also derogatory to exports, owing to lack of safe transport facilities, is an added argument explaining the shrinkage of export values, but one not directly connected with the decline of silver. In the midst of this economic disturbance, a mooted question which has tested the best brains of the nation is whether silver should remain the standard of value in China or whether a gold standard ought to be immediately established.

Those who champion the idea of establishing a gold standard for China as a remedy for the silver slump seem to have lost sight of the fact that, if gold is adopted as the standard of value and the principal medium of exchange in China in lieu of silver, not only will the present situation not improve, but the price of silver will be subject to a further decline and the country's purchasing power be further reduced. A second

consideration of the inadvisability of the immediate adoption of a gold standard is China's existing limited financial resources for accomplishing the transformation. As soon as China's intention of adopting a gold standard is made known, silver prices will experience a sharp drop, and the seigniorage profits obtained by the Chinese Government from minting subsidiary coins with a face value considerably higher than the intrinsic value of the coins will, contrary to the expectations of some economists, not enable her to purchase such quantities of gold as are necessary for effecting the change. The only way to meet this requirement will then be a huge foreign loan, which, however, is unobtainable until China enjoys an exalted state of political stability which will enable her to command the confidence of the world.

Political stability is after all paramount for China, and without that currency reform programs will be reduced to idle talk and mere phraseology. What should engage our attention now is how to set our house in order and how to develop the economic potentialities of the land. Indeed, as soon as political and economic development of the country reaches an advanced stage and a solid base, not only will China apprehend the surplus of her silver, but her demand for the white metal will ever be on the increase to finance the enhanced trade of her immense population. The question of the silver slump will then be solved in the natural course of events.

It seems to me that the present juncture is by no means opportune for China to even talk of the adoption of a gold standard, for the adoption will invariably cause a depression of the silver markets of the world. Nevertheless, as the economically advanced countries of the world have all standardized their currencies on a gold basis, China will eventually have to follow their example with the primary object of facilitating her economic relations internationally. In preparing for the process of transformation, which should be gradual and steady, the first step to be taken will be the accumulation of gold stocks at home and the acquisition, through purchase, of specie abroad at favorable intervals. The former can be achieved by rigid enforcement of the gold embargo, and the latter by such measures as the legalization

of both gold and silver as bank reserves, etc. A first prerequisite to the ultimate adoption of a gold standard for China, however, lies in the immediate abolition of the Tael currency, which is still in use in the country, and the consequent unification of the present currency system on a silver dollar basis. This step is a necessary and welcome preliminary to the wider reform of the currency, which, it is hoped, will soon be carried into effect. Rome was not built in a day, and this simile applies with equal force to the problem of a gold standard currency system for China.

Shanghai
August, 1930

TABLE OF CONVERSION

Foreign currencies were converted into dollars at the following rates of exchange:

Argentina, par, 96.48 cents per gold peso, or average for certain periods;
Australia, par, $4.86 per pound sterling;
Belgium, par, 2.78 cents per franc or 13.9 cents per belga;
Brazil, par, 11.96 cents per paper milreis;
Chile, par, 12.17 cents per gold peso;
Colombia, par, 97.33 cents per gold peso;
Czechoslovakia, 2.96 cents per crown;
Denmark, par, 26.8 cents per crown;
France, par, 3.91 cents per franc; pre-war par, 19.3 cents per franc;
Germany, par, 23.8 cents per reichsmark;
Great Britain, par, $4.86 per pound sterling;
India, average rates for the period;
Italy, par, 5.26 cents per lira;
Japan, 45.3 cents per yen;
Mexico, 48.2 cents per peso;
The Netherlands, par, 40.20 cents per florin;
Norway, par, 26.8 cents per krone;
Russia, 51.46 cents per ruble;
Sweden, par, 26.8 cents per krona.